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ARTHUR FIELDHOUSE

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70p

TO STUDENTS.

The price of this book does not include the free correction of exercises, free keys, postal tuition or correspondence. The **Key** *to any* **one Exercise** *or* **Exam. Paper** *may be had for* **1/1** *post free, for cash, from—*

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TO CORRESPONDENTS.

Courtesy requires that all letters requesting favours or information should contain a **stamped-addressed envelope** *for reply. The author does not enter into correspondence relative to Examination Papers. All such letters should be addressed to the Examiners or the Examining bodies concerned.*

— The —

STUDENT'S ADVANCED COMMERCIAL BOOK-KEEPING

ACCOUNTING and BANKING,

COMPRISING THE PRINCIPLES AND PRACTICE OF DOUBLE ENTRY AS APPLIED TO MODERN BUSINESS, AND INCLUDING A COURSE OF TRAINING FOR ALL PUBLIC AND PROFESSIONAL EXAMINATIONS, BY

ARTHUR FIELDHOUSE,

FELLOW of the **ROYAL SOCIETY** of **ARTS.**
EXAMINER, ACCOUNTANT AND AUDITOR.
AUTHOR OF
"The Student's Business Methods & Commercial Correspondence";
"The Student's Phonographic Shorthand Exercises";
AND
E. EWART FIELDHOUSE, M.A., LL.B.,
Solicitor of the Supreme Court.

THIRTY-FOURTH EDITION.

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FOLLY HALL.

PREFACE to the THIRTY-FOURTH EDITION.

The present edition has not only been thoroughly **revised** and entirely **reprinted,** but it has also been **enlarged,** so as to include most of the recent **elementary, intermediate**, and **advanced examination papers.** No other work on this subject possesses the **advantage** of having been written by one who combines the knowledge and experience of **modern business** and accountancy with the requirements of the classroom, where he has taught 3,000 students; in other words, he is, at once, a **business man**, a **practising accountant,** and a **teacher.**

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As a **Twentieth-Century work** of **reference** and **office handbook** it is becoming increasingly popular, being in constant use in **hundreds** of **accountants' offices.** *A dozen men in our office have made it their companion,* says one of many correspondents. A glance at the **Index** is sufficient to convince anyone of the **permanent value** of the book. The **list** of **schools** using this book in **London,** the **Provinces,** and throughout the **British Empire,** as well as the hundreds of testimonials received, would require a substantial book for their reproduction.

A. F., and E. E. F.,
66 Trinity Street, Huddersfield,
March, 1926. *Yorks.*

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INTRODUCTION.

A knowledge of Book-keeping is absolutely essential to the satisfactory conduct of any business, however small. A **Merchant's books** may be regarded as his mercantile chart, from the consultation of which he should be able to ascertain, not only his exact position on the turbulent sea of commerce, but also to learn whether the course he is pursuing is likely to take him into the harbour of competence and wealth, or the Official Receiver's refuge.

It is a matter for regret that **penal laws** should be found at all necessary. On the Continent the use of the "Journal" (in which *every entry* must be made before posting to the Ledger, this being known as the **Continental System**), is made compulsory, under heavy penalties for non-compliance; and in our own country **bankrupts** are liable to punishment for failing to keep a sufficient record of their business transactions. One would have thought that the satisfaction arising from recording their affairs in accordance with correct methods of Book-keeping, would be sufficient inducement to traders to learn to understand and practice thoroughly systematic and intelligent Book-keeping. That this is not so, is evidenced by the fact that, every year, hundreds pass through the Bankruptcy Court, who have either kept no books at all, or those kept are scarcely intelligible. Next to extravagance, inefficient book-keeping is one of the principal causes of insolvency.

The cause of such a state of things is, probably, not far to seek, for while adequate facilities for all kinds of professional training have been provided in this country, **commercial education** has been sadly neglected, and it is only during recent years that attempts, more or less serious, have been made to remedy this state of affairs.

Training is quite as necessary for a **commercial life** as it is for a professional one; and unless the youths of this country become willing to equip themselves thoroughly for the career upon which they enter, they will assuredly have to stand down while others will take their places.

SUGGESTIONS for TEACHERS.

1. As suggested by the **Syllabus** of the **West Riding County Council** each class should be taught collectively ; a portion of each lesson being devoted to the explanation of principles, transactions and terms, and a portion to the elucidation of difficulties met with in the home work. The class should be questioned as to the correct way of entering up each transaction, and the reason therefor.

2. **In addition** to dealing with the explanatory matter occurring between, and relative to, each exercise, you should also include in the lesson the explanation of a few of the **mercantile terms,** as well as the filling up of cheques, bills, and other forms specified by the Syllabus.

3. Although the first nineteen exercises are not essential, I find the working thereof of such service to **beginners,** by reason of their **educational** value and the material improvement it effects in the style of the pupil's subsequent work, as to warrant their inclusion.

4. Generally speaking the **Syllabuses** of the public examining bodies are covered in the **Elementary Stage** by working exercises 1 to 35, in the **Intermediate Stage** by working up to exercise 100, and in the **Advanced Stage** by working up to the end of the **Complete** or **Advanced** book.

5. In order to fix thoroughly the **principle** of **double entry** in the students' minds the nine exercises, 19 to 25 should first be journalised, posted, and a trial balance prepared. Then the next exercise, 26 (page 96), should be worked on the **practical** method only, followed by the re-working of exercises 20 to 25 on the same method. The students will then be able to compare the theoretical with the practical method of recording the same transactions. The six exercises, 27 to 32, are specially designed for **practical working** only, after which all the exercises in the book should be worked practically. The **answers** to exercises 20 to 32 are given on page 30.

6. The **tendency** of **modern examinations** is to require from the candidate a more detailed acquaintance with the **practical methods** used in business houses than was formerly the case. Some Examiners are so possessed with the idea of the **practical** that they either neglect or discount the theoretical and educational aspect of the subject. In other words, they recommend beginners to learn **practical** Book-keeping before acquiring a

sound knowledge of the theory and principles. Every teacher knows that this method is educationally wrong. Those teachers who wish to teach practical Book-keeping from the very first lesson may do so by commencing with the chapter on **Practical Book-keeping, page 79.** No more exhaustive exposition of elementary practical work will be found in any book on the **market.**

7. In the examinations of the **Royal Society of Arts** and the **London Chamber of Commerce** special emphasis is put upon the necessity of recording every transaction in the most **modern, practical** manner, as expounded in the chapter on Practical Book-keeping, pages 79 to 122. This involves the opening of **separate accounts** for Stock, Purchases, Returns Outwards, Sales, Returns Inwards, Carriage, Wages, Interest, Discount, Commission, Bad Debts, Rates and Taxes, Travelling Expenses, etc. When recording transactions involving **Trade Discount** care should always be taken to deduct the discount and only post the net amount. Particular care should be taken not to overlook the **Discount** on **Returns.** See the following example from the R.S.A. Elementary Exam. Paper for May, 1923 :—

1923.	SALES BOOK.				
Mar. 8.	G. Brown :—				
	6 Lawn Mowers @ £5/3/6..	£31	1	–	
	Less 10% trade discount..	3	2	1	
					£27 18 11

1923.	RETURNS INWARDS BOOK.				
Mar. 19.	G. Brown :—				
	1 Lawn Mower, defective..	£5	3	6	
	Less 10% trade discount..		10	4	
					£4 13 2

8. This is the **only** textbook containing over **100 Exam. Papers** of **R.S.A.** and the **L.C.C.,** in addition to numerous others, thus providing a greater variety of work, covering every conceivable transaction in all stages of the subject. The Teacher has choice of Exercises and Papers of **varying length,** some of which may be worked in a few minutes, while others require two or three hours. It is quite impossible to include every Examination Paper in this text book, as over **100 Papers** are set each year. The average Examination Paper is merely a duplication of common transactions. It is important, however, that the **text** should be kept **up-to-date,** and this is the only textbook which is able to do this by reason of the fact that it is **revised** and entirely **reprinted** every two years. It is also worthy of note that this is the only work to which there is a **FULL KEY,** a new edition of which has recently been published, in two volumes, Elementary and Advanced, the former being in its fourth edition, and the latter in its sixth edition. See advertisements at the end of the book.

INSTRUCTIONS to STUDENTS.

1. You will be required to **provide yourself** with such **Manuscript Books** as directed by the teacher. Those sold by the Author, **Arthur Fieldhouse, P.O. Box A. 27, Huddersfield, Yorks.,** at **2/4 per set,** post free, will be found very serviceable.

2. Never fail to **bring** with you **to the class** your textbook, note book, manuscript books, *medium pointed* pens and blotting paper. Broad-pointed pen nibs should never be used.

3. Most of the **exercises** will first need to be worked out on sheets of paper, and, after having been corrected by the teacher, **neatly copied** into your manuscript exercise books.

4. Never leave an exercise unfinished on account of some error, but search it out, remembering that the first essential of Book-keeping is **Accuracy.**

5. Let your **writing** and **figuring** be such as will give a neat appearance to your work. Figures must *not* be joined together. Books kept in a slovenly scrawl, or in flourished writing, are a discredit to the book-keeper and an eyesore to his master. Let **Legibility** and **Neatness** be your motto.

6. When entering an account, place the particulars of the second and each succeeding entry the **same distance** from the left-hand margin as the first entry, so that the *first* letter in each word forms a **perpendicular line** of capital letters ; and in the money columns place units under units, tens under tens, &c. To commence one entry further in than another, or to misplace figures, detracts from the orderly appearance of your work.

7. Never insert **noughts** in the money columns when unnecessary to the amount, as they are liable to lead to confusion when totalling. A dot or dash is preferable.

8. Let all horizontal lines be thinly **ruled** in **red ink.** Rule *one line* above every total and *two lines* underneath every *final total*, but do not rule any lines after a total which is *carried forward.*

9. Always place the indication of a **£** by the side of each **total,** thus :—£620 10 6.

10. Remember that every transaction must have a **date,** both in the subsidiary books and the Ledger.

11. Do not fail to place **Dr.** and **Cr.** at the head of every account.

12. Write the names and **headings** of books and accounts very **boldly,** so as to make them distinct and conspicuous.

13. The **totals** of both sides of an account should always be placed on a **level** with each other, even though there are not the same number of items on both sides.

14. Never insert **balances** or **totals** in ink until you have checked their correctness.

15. Never scratch out an incorrect entry, but rule it through so that the error may still be visible on inspection. Scratching out is untidy and likely to create suspicion.

16. Regular attendance is of great importance. An evening student should make a point of being present at every meeting of the class, otherwise he finds himself seriously handicapped, as it is generally impossible for his teacher to depart from the syllabus and repeat a lesson—it would be an injustice to those who attend regularly to do so. The progress of a class as a whole is, and must be, considered before that of a few stragglers, who often blame their teacher for the result of their own irregularities. **Continuity** of work is essential to progress.

17. Endeavour to be in your class five minutes before the appointed time. The **unpunctuality** of a few frequently wastes the time of many students.

18. If you are desirous of being a credit to yourself and a source of satisfaction to your teacher, do not fail to complete, most carefully, the whole of your **home work.** Without **work,** progress is impossible. Do not wait until the arrival of the next class day before you commence to hurry through your exercises.

but commence immediately you reach home on leaving the class. **Do a portion each day.** Do not wait until you have a complete hour at liberty before you commence your exercises. "Procrastination is the thief of time," therefore utilise the five minutes you have before breakfast the ten minutes after dinner, the fifteen minutes at tea time, etc., and you will be surprised at the result. In this manner the busiest youth can devote from thirty to sixty minutes **each day** to his studies.

19. If the instructions with reference to the working of the exercises are not complied with, the teacher may not only refuse to correct your work, but may require it to be re-written. Pencil work will on no account be permitted, therefore **use ink always.**

20. You must not forget, in the study you are about to commence, that you will **not** be taught to keep the books of any particular trade, as a grocer, a draper, a cloth merchant or an engineer ; but that you will receive instruction in the **principles** of book-keeping and their **general application** to **modern business,** which knowledge may be readily applied to the books of any specific business, which vary only in matters of *detail.*

Efficient book-keeping is an absolute **necessity,** for three reasons (1) *Personal,* control over the business and the satisfaction of ascertaining results as to true financial position ; (2) *Commercial,* business depends to a large extent upon the accuracy of the information conveyed by the books ; (3) *Legal,* the avoidance of the penalties incurred in case of Bankruptcy, Income and Super Tax, &c.

PROPER ACCOUNT BOOKS.

"The case of H.J.M., who had traded as an upholsterer in.....Street, London, E.C., came before the Court upon an application by the debtor for his order of discharge.

His Honour said he noticed that the debtor had kept proper books of Account, and they had been periodically balanced. This was so unusual a record that he should mark his appreciation of the debtor's conduct by granting him an immediate order of discharge, subject only to a judgment for £10."

BOOK-KEEPING.

BOOK-KEEPING is the *science* and *art* of recording in books **pecuniary transactions,** so unremittingly and so accurately, that you are able at any time to ascertain (**1**) the **result** during a given period, (**2**) the **exact state** of your financial affairs at the end of the period, or any portion of them, with **clearness** and **expedition,** and to **prove** their **accuracy.**

2. The **practice** of scientific book-keeping is no mere experiment, the results of which are doubtful and uncertain. On the contrary, every **result** you obtain may be relied upon as being absolutely accurate, because you can **prove** your books as easily as you can prove a multiplication sum by division. This is very desirable as it affords the information which will enable you to protect yourself against excesses and, generally, keep due control over your business affairs.

3. If all the **facts** relative to your business be properly recorded in your books, you should, at any time, be able to obtain ready answers to the following amongst other questions :—

1. What amount do I owe to each person ?
2. What amount is owing to me by each customer ?
3. Am I gaining or losing ?
4. What are the sources of my gains and losses ?
5. Am I solvent or insolvent ? If the former, what is the amount of my Capital ? If the latter, what is the amount of my deficiency ?

4. The principal **cause** of Book-keeping is **Commerce** —the interchange of surplus goods or commodities. Another cause is that of **Services** rendered by professional men. These exchanges result in what are known as **Transactions,** which are the acts performed by **two** persons in buying, selling, paying, receiving ; in fact every act involving the transfer of money or money's worth, from **one to another,** and every **exchange for value,** whether money, goods, or debts, which takes place in your affairs. Every financial change which occurs in your business is a transaction, even though no specific act is performed at all ; for instance,

if you are informed that one of your debtors has absconded, leaving no assets behind, such a *fact* must be shown in your books, by closing the a/c. of the defaulting debtor. The exercises contained in this book are sets of transactions which, in the first place, it will be your duty **to enter** up in the various books in proper order, and secondly, to prove the accuracy of your work. There are two ways of recording transactions—chronological and classified. The former is advantageous for entering, while the latter is convenient for reference.

5. The **WASTE BOOK** (which is now rarely used in business houses) simply contains a roughly scribbled record of transactions daily arranged in the **order in which they occur,** without any regard whatever to their nature or import. All the **exercises** given in this work are really cuttings or extracts of entries from the Waste Book. (See exercise 19, page 35.) The chronological or *in-order-of-date* arrangement of the transactions in the Waste Book facilitates the work of the student book-keeper in entering up his other books.

6. In recording pecuniary transactions **two objects** must be kept in view :—

1. Each record or entry must be so **explicit** that at any future time, the exact nature of the transaction may be readily perceived without the aid of the memory.
2. Each transaction should be so **classified** that at any time the total result of such transactions during any given period, may be easily ascertained.

It will be clear to you, if you are to comply with these two rules, that transactions of a *similar nature or with the same person* must be gathered and collected together in classes or groups, for which *separate* accounts will require to be opened in the Ledger, such as John Smith's Account, Henry Clay's account, Cash account, Goods account, Profit & Loss account, &c.

7. AN ACCOUNT is a register of a *particular class* or group of pecuniary or money, *i.e.*, **£ s. d.,** transactions. To register or record a transaction is to make an **entry.**

ADVANCED or

PART II

OF

THE STUDENT'S COMMERCIAL

BOOK-KEEPING.

The numbers of the paragraphs and pages correspond with those of the Complete Edition.

Exercise 48. (*L.C.C., Junior*, 1912.)

1. Enter the following transactions, for **February**, 1912, in the proper books, post to the Ledger, and extract a T.B. A. Samuel, Coal Merchant, being about to retire from business, arranged to sell to J. Parker the Assets as they stood on 1st Feb., upon the following terms :—(*a*) Goodwill £500, to be discharged by four acceptances of £125 each, dated 1st Feb., 1912, at 2, 4, 6, and 8 months respectively. (*b*) Stock on hand, Rolling Stock, Horses, etc., to be paid for by cheque on receipt of the valuers' certificates. (*c*) Fittings and Fixtures £100, to be paid for by cheque on 1st Feb., 1912. (*d*) The book debts to be collected by J. Parker on behalf of A. Samuel. All the book debts collected in each month to be paid to A. Samuel on the last day of the month in which they were collected, less 5% on the total amount collected during the month.

1. J. Parker paid into the London Banking Co., £3000.
1. Paid A. Samuel cheque for Furniture and Fittings, £100.
2. Sold E. Mallett & Co., 50 tons Derby Coal at 25/- per ton.
3. Drew cheque, £50 for Petty Cash.
5. Received certificate that the value of Stock of Coal on hand at 1st Feb. was £853 6s. Sent A. Samuel cheque in accordance with agreement.
6. Sold L. Bide 160 tons Kitchen Coal at 22/6 per ton, and 80 tons Welsh Steam Coal at 28/- per ton.
6. Recd. from E. Mallett & Co., cheque for debt owing on 31st Jan. last, £55.
7. Recd. certificate that the value of the Rolling Stock, Horses, etc., on 1st Feb. was £950. Sent A. Samuel cheque in accordance with agreement.

8. Shipped to A. Wolf, of Kiel, 420 tons Brightside Coal at 21/- per ton, on consignment.

Paid by cheque Freight and Insurance £42 on consignment to A. Wolf.

9. Bought of Derby Mining Co., 500 tons of Coal at 12/6 per ton.

10. Paid by cheque Midland Railway Co.'s a/c. £125 for carriage of coal purchased from Derby Mining Co.

Recd. from B. Smart, cheq. for a/c. due to A. Samuel, £85.

12. Accepted Derby Mining Co.'s draft at 2 mos., dated 9th Feb., for coal purchased on that day.

14. Sold to E. Mallett & Co., 100 tons Kitchen Coal at 23/- per ton and 50 tons Derby Coal at 26/- per ton.

17. Drew on E. Mallett & Co. at 2 mos. from this date for the amount of their a/c.

21. Bought of the Welsh Colliery Co., 1000 tons coal at 15/- per ton, terms 2½% discount in one week.

E. Mallett & Co. returned draft forwarded to them on 17th Feb. unsigned and sent in its place their draft for a similar amount accepted by Smith & Sons, which J. Parker placed under discount at the London Banking Co. who charged £3 for discount.

22. Recd. of A. Wolf, of Kiel, A/S. of Consignment with sight draft on Montague & Co., for net proceeds, £500.
Handed draft to London Banking Co. for collection.

26. Paid by cheque Welsh Colliery Co., the amount of their a/c.

28. Sent cheque to A. Samuel in settlement of debts collected on his behalf, less 5%.

Paid by cheque G. W. Ry. Co.'s charges £300, for carriage of Welsh Coal.

2. What comment, if any, have you to make on the T.B. below?

Goodwill	£300	Capital Account	£800
Furniture and Fittings ..	100	G. Johnson	700
Horses, Vans, Etc.	600	Royalty Account.....	50
A. Read	200	Bills Payable	750
Goods Account	400		
Cash	50		
Bank	450		
Bills Receivable	200		
	£2300		£2300

3. Define the following terms :—Rebate, Tare, Premium, Narration. 4. Sketch the B/E. mentioned in Question 1, 21st Feb., as having been received from E. Mallett & Co., showing the signatures which appeared upon it when it was handed to the London Banking Co.

Exercise 49. (*Society of Arts, Inter.*, 1893.)

A. How are the following classes of Accounts closed ? :—Personal A/cs., Discount A/cs., Goods A/cs., P. & L. A/cs.

B. April 1st, Black borrows £150 from White and accepts his draft at 3 months for the amount. White discounts this acceptance a month later with the Notable Discount Company. Give the accounts as standing in Black's and White's Ledgers respectively.

C. On 1st January, 1893, John Andrew, hotel proprietor, commenced business with the following **Dr. Balances:**—Freehold Premises, £5000 ; Bank balance, £1418 17 6 ; Cash in house, £155 18 2 ; Furniture & Fittings, £450 ; Wines, spirits, ale, and minerals, £243 15 10 ; Tobacco and Cigars, £35 - 3 ; Poultry, meat, &c., £5 10 2 ; Groceries, £27 18 6 ; Sundry stores on hand, £142 8 7 ; Sundry outstanding visitors' a/cs. £50 7 10.

He owed:—John Smith, £172 8 8 ; Amos Jones, £9 18 4 ; Wm. Taylor, £23 5 6 ; Jas. Watson, £41 18 6 ; Sundry persons, £92 17 4.

Jan.	1.	Received cash from visitors	£40	5	6
,,	1.	Paid into Bank.....	100	–	–
,,	2.	Paid W. Taylor, cheque	23	5	6
,,	2.	Paid James Watson, cheque	38	–	–
,,	4.	Bought of Walter Berry, carpets	62	5	–
,,	4.	Paid J. Smith, cheque £150, Dis. £3 11 8 ..	153	11	8
,,	5.	Recd. cheq. from J. Sims for amount written off last year as a bad debt (74)	8	15	–
,,	6.	Bought of Fred Wilkinson, sundry stores ..	28	13	11
		Paid cash £28 5 –, dis., 8s. 11d.	28	13	11
,,	7.	Paid A. Jones by cheque	9	18	4
,,	8.	Bar and Billiard room receipts for week ...	36	14	5
,,	9.	Paid into Bank.....	60	–	–
,,	11.	Paid poor rates by cheque	13	5	–
,,	11.	Paid James Watson by cheque	3	18	6
,,	13.	Received statement from Wilfred Simpson for carriage hire on a/c. of visitors	4	3	9
,,	13.	Paid W. Berry by cheque.....	62	5	–
,,	14.	Received cheque from visitor, gave him cash, and paid cheque to bankers	25	–	–
,,	14.	Bought of A. Jones, cigars, as per invoice, subject to 2½ per cent. discount	50	–	–
,,	15.	Bought Furniture of Wm. Dunn	132	17	6
,,	15.	Received C.N. from him for old furniture in exchange	38	5	8
,,	15.	Paid cash for sundries	6	18	11
,,	16.	Paid cash on a/c. of washing for visitors ..	3	9	4
,,	16.	Bought of J. Smith, wine in bond	63	17	6
		Pd. H.M. Customs duty on same, cash (180)	15	10	–
,,	18.	Paid A. Jones by cheque (see Jan. 14).....	48	15	–
,,	18.	Sundry bar and billiard room receipts	42	10	7
,,	19.	Paid gas a/c. cash	9	4	8
,,	19.	Paid W. Dunn by cheque	94	11	10
,,	20.	Bot. of W. Taylor, Poultry, &c., per his book	29	15	4

Jan. 22.	Bought of J. Watson, groceries	£23	2	8
„ 22.	Paid for Sundries in cash	42	17	7
„ 23.	Received Statement from W. Simpson for Carriage hire on a/c. of visitors	5	2	3
	Paid him cheque	4	3	9
„ 25.	Paid J. Watson cheque £22, dis. £1 2 8 ...	23	2	8
„ 25.	Paid Taylor cheque £28 12 2, dis. £1 3 2 ..	29	15	4
„ 26.	Sundry bar and billiard room receipts	45	11	3
„ 28.	Bought for cash, sundries	15	18	5
„ 29.	Bought of J. Smith, ale as per invoice	23	10	–
	Paid him cheque £22 5 –, dis. £1 5 –	23	10	–
„ 30.	Sundry bar and billiard room receipts	36	9	8
	Cash received during January from visitors' bills and paid into bank	338	11	7
	Credit interest on capital	30	–	–
	Wages and Salaries due this day	24	3	4
	Depreciation on Furniture (82)	4	10	–
	Sundry outstanding visitors' accounts	47	2	11

Stocks on hand :—Wines, spirits, ales, minerals, £109 13 2 ; *Tobacco and Cigars,* £53 8 8 ; *Poultry, meat &c.,* £3 7 6 ; *Groceries,* £18 15 2 ; *Sundry Stores,* £49 18 11.

Answer.—*Trial Balance* £7966 - 1 ; *Net Loss* £59 3 1 ; *Bal. of Cap. A/c.,* £7160 5 5. *Total of B/S.,* £7365 2 10. *Cash bal.* £59 0 8, *Bank bal.* £1421 9*s.*

Exercise 50. (*Society of Arts, Inter.,* 1894.)

A. "Forty lakhs of remittances on India were offered for tender, but the only response was an application for Rs 26000 in Bills at 1/3 with the result that the council made no allotment." (*Times,* City Article, October 5th, 1893.) Comment on and explain this paragraph. **B.** Define "Bank Rate." How is it settled ? What objects are sought by its advance or reduction ?

C. The following shows the state of affairs of Messrs. John and Joseph Tough, ironwork contractors, at Jan. 1st, 1894. Credit each partner with 5 per cent. interest on his capital, and carry the amount of the profit or loss in equal shares to their respective capital accounts. All payments over £5 by cheque ; under that amount in coin ; all receipts paid into bank same day. *Liabilities :*—Capital—John Tough, £13057 14 1 ; Jos. Tough, £15960 1 6. Creditors—Peter Jones, £923 ; John Smith, £1027 16 - ; Hy. Brown, £450 ; B/P. No. 391, £1000 ; No. 392, £850 10 -. Instalments recd. on current contracts :—No. 124, Wessex Bridge, £960 ; No. 125, Mercia Tanks, £1845 ; No. 126, Cantia derricks, £2460. Mortgage on premises, £15000. (See par. 191, also 193 and 194.)

Assets :—Freehold works, £26000 ; Plant, machinery & rolling stock, £5280 ; Bankers, £2456 1 9 ; Office Cash, £84 7 4 ; B/R. No. 248, £365. Debtors :—Thos. Tiger, £1254 9 3 ; Edward Eagle, £1215 10. Current contracts—value of work done :—No. 124, £1530 2 9 ; No. 125, £3160 10 4 ; No. 126, £5130 12 8 ; No. 127, Devonia viaduct, £815 10 ; Materials on hand, £6241 17 6.

an. 1.	Bot. of J. Smith, 100 tons plates @ £7 ..	£700	–	–
,, 2.	Paid him cheque	1200	–	–
	Do. bill at 2 mos. (172)	500	–	–
,, 3.	Paid rates and taxes	31	7	6
,, 4.	Received payment, Bill No. 248 (146) ...	365	–	–
,, 6.	Received instalment, contract No. 125 ...	1000	–	–
,, 6.	Paid sundry petty expenses	4	16	–
,, 6.	Paid fire insurance	32	1	6
,, 8.	Took contract for Anglia girders, No. 128..	1250	–	–
,, 9.	Paid bill No. 392 (146)	850	10	–
,, 9.	Bot. of P. Jones for cash, 45 cwt. rivets @ 32/-	72	–	–
	Materials supplied to date :—Con. No. 124	248	15	–
	No. 125 £132 7 6, No. 127, £315 9 8, No. 128	264	7	6
,, 11.	Received of Thos. Tiger, cheque	400	–	–
,, 12.	Contract No. 126 completed and passed and balance of contract received	3500	–	–
	Partners' drawings £500 each (78)	1000	–	–
,, 13.	Bought of Henry Brown for 2 months bill, 50 tons angles @ £7 10 (172)	375	–	–
,, 13.	Drew chq. for wages pd. to-day :—Con. No. 124, £222 6 -, Con. No. 125, £107 5, Con. No. 126, £5 15 6, Con. No. 127, £128 18 6, Con. No. 128	52	3	4
,, 16.	Paid Henry Brown, £430, Dis. £20	450	–	–
,, 17.	Received of Edward Eagle	1200	–	–
	Allowance on settlement.....	15	10	–
,, 18.	Received instalment on Contract No. 124	500	–	–
,, 21.	Bot. of Stephen Spicer, timber as per inv.	142	3	6
,, 22.	Received instalment, Contract No. 128 ..	350	–	–
,, 23.	Received sundry cash sales	18	1	6
,, 24.	Partners' drawings ; John Tough (78) ...	150	–	–
,, 24.	Paid Peter Jones	500	–	–
,, 25.	Paid bill, No. 391 due this day (146)	1000	–	–
,, 25.	Recd. of Thos. Tiger, bill at 3 months (171)	841	3	6
,, 26.	Paid to S. Spicer, £140. Dis. £2 3 6	142	3	6
,, 27.	Drew cheq. for wages pd. to-day, Con. No. 124 £125 19 4, No. 125 £22 11, No. 127 £173 7 11, No. 128	230	4	4
,, 27.	Recd. net proceeds sale by auction of loose plant, Con. No. 126, value in books, £350	186	15	–
,, 27.	Paid office salaries for month	27	10	–
,, 27.	Received instalment Contract No. 127....	1000	–	–
,, 28.	Con. No. 125 completed and passed. Final bal. due £2100. Instalment received ..	1650	–	–
,, 29.	Paid half-year's interest on mortgage (191)	300	–	–
,, 31.	Materials supplied to date :—Con. No. 124	831	15	–
	Con. No. 127, £463 10 ; Con. No. 128 ..	159	17	6
,, 31.	Paid Water Rate	10	4	6
,, 31.	Paid inspector's fees, Con. No. 125	31	10	–
,, 31.	Paid off Mortgage (191)	2000	–	–
	Depreciation of buildings (82)	54	10	–
	,, of plant and machinery	24	6	–
	Int. on Cap., John £54 4 -, Joseph £65 15 3.			
	Stock of Materials, £4822 16 8.			

Answer.—*Trial Balance* £45516 18 1 ; *Profit on Con.* 125 £1490 16 2, *on Con.* 126 £660 6 10 ; *Loss on Materials* £274 - 8 ; *Net Profit* £1279 1 1 ; *Bal. of Cap. A/cs.* : *John* £13101 8 8 ; *Joseph* £16165 7 3. *Total B/S.* £43592 11 11. *See page* 219 *Cash bal.* £79 11 4, *Bank bal.* £3782 3 10.

Exercise 51. (*Society of Arts, Inter.*, 1896.)

A. Explain the following terms :—Not Negotiable. Negotiable by endorsement. Statute of Limitations. Salvage. **B.** An agent issues about 50 cheques each day, and usually at the end of each month about 60 are current and not yet presented at the Bank. What means would you think best to ensure a correct list of these outstanding Cheques on the first day of the succeeding month ?

C. The following was the statement of affairs of Arthur Archer, wine merchant, on 31st Jan., 1896 (par. 79).

Liabilities :			
Bills Payable—No. 241, £187 16, No. 242, £150..	£337	16	–
Overdraft at Bankers, £213 5 ; Concia & Co., Lisbon	824	17	6
Druitt & Duse, £596 10 - ; Sundry Creditors	1438	10	9
Capital	4364	2	6
Assets :—Stock in bond, in cellars and with agents..	3070	15	–
Bills Receivable—No. 104, £137, No. 105, £50 ..	187	–	–
Stock on Consignment with Henry Hart, Montreal	874	10	6
Europa Club, £185 6 –. Grant & Green	72	15	–
Sundry Debtors—Agents, £1144 9 6 ; Trade A/cs.	2240	5	9

On Feb. 1st, the business was transferred to Bruce Balfour on the following terms. The cap., together with a premium of £800 for Goodwill, to be paid on taking possession, in cash £1664 2 6, and three P/N. for £1000, £1000, and £1500 at 3, 4, and 6 mos., any of which might be retired at any time less a rebate of 6%, Balfour taking all the Assets with all profits and risks, and undertaking to discharge all Liabilities. Open and close the a/cs. for these particulars and the following transactions of Balfour. Receipts paid bank same day, and all payments, unless otherwise stated, by cheque.

Feb. 1.	Paid Cash into Bankers (*Balfour's Capital*)	£3000	–	–
	Delivered to Arthur Archer, cheque	1664	2	6
	Delivered to A. Archer, 3 P/N. Nos. 243, 4 and 5, for £1000, £1000 and £1500	3500	–	–
	Drew cheque for office cash	50	–	–
,, 3.	Drew Bill, No. 106, @ 3 mos. on Europa Club which they accepted (171)	150	–	–
,, 3.	Sold Kirk & Co., wines as per invoice	72	10	–
,, 4.	Received cash, sundry trade debts collected	238	–	–
,, 7.	Paid traveller's commission and expenses	14	–	–
	Sold Kirk & Co., 10 cases champagne	38	10	–
,, 10.	Accepted Concia & Co.'s bill @ 3 mos. (172)	700	–	–
	Paid them cheque	124	17	6
,, 12.	Recd. from Hy. Hart A/S. of consignment with sight draft net proceeds (176)	936	17	6
,, 15.	Paid Local Board rates	8	1	4
	Paid law costs transfer of business	23	6	8

Feb.18.	Received payment of bill No. 104 (146)...	£137	–	–
	Sold Lord Lingrove wines as per invoice..	185	–	–
„ 19.	Recd. of Kirk & Co., cash £109, dis. £2 ..	111	–	–
	Shipped on consignt. to H. Hart wines (174)	742	–	–
	Paid shipping charges, freight, insurance	13	12	6
„ 21.	Sold Europa Club 10 cases claret at 45/-..	22	10	–
„ 25.	Paid off bill No. 245 under rebate (169) ..	1461	–	10
	Accepted Druitt & Duse's draft @ 3 mos. (172)	500	–	–
„ 28.	Pd. Book-keeper & month's wages office cash	28	9	4
Mar. 1.	Recd. of H. Hart, on a/c. of consignt. (176)	450	–	–
„ 3.	Recd. of Sundry agents, cash as per C/B.	284	–	–
„ 3.	Bot. of Nuelli & Co., 10 pipes port for 4 months bill	580	–	–
„ 5.	Sold sundry persons wines, as per day book	421	5	–
„ 7.	Paid sundry trade creditors, as per C/B...	356	10	–
„ 9.	Recd.of Ochoa&Co.wines on consignt.(178)	746	15	–
	Paid dock charges (178)	5	9	6
„ 12.	Rose's bill returned dishon'red&noting(166)	50	1	6
	Drew cheque for office cash	20	–	–
„ 15.	Sold Lord Lingrove further wines	81	15	–
	Received his cheque on a/c. for	125	–	–
„ 17.	Recd. first and final dividend, 17/6 in the £ from Grant & Green (95a)	63	13	2
„ 18.	Sold out of bond goods consigned by Ochoa (178)	825	–	–
	Charged Commission 5%	41	5	–
	Remitted them 7 days draft in settlement	778	5	6
„ 20.	Bot. of Druitt & Duse, 40 cases champagne	120	–	–
„ 22.	Paid bill No. 241 (146)	187	16	–
	Recd. cash, sundry agents	203	5	–
	„ from Richd. Rose, for bill & exs.	50	1	6
„ 24.	Sold Europa Club for cash, wine	39	15	–
	Received cash, sundry trade a/cs.	234	7	4
„ 26.	Bought of Nuelli & Co., claret	78	10	–
	Claimed on them for ullage (leakage) of claret, claim allowed	5	–	–
„ 26.	Paid them cheque, £69 11 6, dis. £3 18 6..	73	10	–
„ 30.	Pd. month's wages & petty exs. office cash	29	6	6
„ 31.	Paid quarter's rent, office and cellars	25	–	–
	Stock-in-trade, valued at cost	2341	4	6

Answer.—*Trial Balance*, £10497 10 5; *Profit on Wine*, £100 4 6; *on Consignment No.* 1, £62 7 -; *Net Profit*, £107 8 6; *Bal. of Cap. A/c.*, £3107 8 6. *Total of B/S.*, £8785 19 3. *Cash bal.* £12 2 8, *Bank bal.* £1681 0 8.

Exercise 52. (*Society of Arts, Inter.*, 1897.)

A. Explain clearly the difference between Guaranteed, Preference, Ordinary, and Deferred Stocks. How would you keep the Cap. and Revenue A/c. of a Reserve Fund Investment in some of them where occasional changes by purchases and sales take place? How would you value the stocks at the close of each year? **B.** What are Real A/cs.? Have they any other name? How are they closed?

C. The "Clayshire Tyke" is a weekly Newspaper. The Proprietor's Balance Sheet, on Dec. 31st, 1896, showed **Trade Debts** owing by him £238 17 4, Subscription Orders received but not fulfilled £201 5 6, Bills Payable Nos. 18 & 19, £120 and £76 14 4 respectively; Owing to Powder & Co., £138 7 6, and to Snowball & Bell £48 9 -. His **Trading Property** consisted of Freehold Premises, Machinery and Fixed Plant £4726 10 -; Fixtures, Type and Stereos £567 16 5; Amounts owing by Sundry Agents £187 10 -; Debts due from Advertisers £71 9 5; Paper Stock £102 15 6; Ink, Wrappers and other Stock £25 7s. 6d.; Cash at Bank £537 1 10; in Office £17 2 6; Stamps £6 8 -; You are desired to determine his Cap., open proper A/cs., and record and post thereto the following transactions. After that you will bal. the A/cs., and draw out a T.B., P. & L. A/c., and B/S. for the period of two months ending Feb. 27th, 1897. All cash receipts paid into Bank the same day; and all payments, unless otherwise stated, made by cheque.

Jan. 2.	Paid for Postage Stamps	£25	–	–
„ 8.	Recd. cash, sundry agents, as per Cash Book	114	15	8
	Discounts and returns for papers unsold ..	21	7	5
„ 12.	Received subscriptions in advance as per Subscription Order Book	294	5	6
„ 18.	Bot. of Powder & Co., paper for 2 mos. Bill	146	19	–
„ 21.	Paid for Stamps	55	–	–
„ 25.	Bought of Snowball & Bell, Ink.....	15	12	–
„ 29.	Received cash from agents	34	7	9
	Discount and returns allowed them	10	10	10
„ 31.	Production a/c. paid editors and contributors	49	9	–
	„ „ paid compositors, machining, and office wages	41	–	–
	„ „ paid sundry exs., office cash	9	11	7
	Stamps used for subscribers' copies per book	73	10	–
	Advertisement orders for month as per Advertising Journal :—Cash recd. with Adverts.	113	14	6
	Credit accounts	142	17	–
	Received cash, sales over counter	131	7	4
	Sales to agents for month per Agents' Book	135	8	6
	Production a/c., News Agency Telegrams paid as per Telegram Book	31	17	–
Feb. 1.	Paid Bill No. 18 due this day (146)	120	–	–
	Pd. Powder & Co., £133 – 6; dis. £5 7 –. ..	138	7	6
	Paid sundry trade accounts owing	59	10	–
„ 2.	Received cash, waste paper sold.....	17	4	4
„ 3.	Recd. payment credit advertisers' a/c	41	15	9
	Purchased for cheq. printing office fixtures.	12	10	0
„ 4.	Recd. cash, additional subscriptions	116	7	6
„ 5.	Bot. of Powder & Co., paper for 3 mos. bill.	231	15	–
	Received cash for old type sold	11	4	6
„ 6.	Paid for stamps	32	–	–
„ 9.	Bot. of Snowball & Bell, ink rollers	36	5	8
„ 13.	Received cash from agents	95	10	6
	Discounts and returns allowed them	27	5	7

Feb.	16.	Recd. cash, advertisers' credit a/cs.....	£75	10	–
		Proprietor's Private drawings (71).....	200	–	–
,,	20.	Recd. cash, waste paper sold	10	4	6
,,	23.	Bought of Snowball & Bell, ink	20	11	6
		Paid Bill No. 19 (146).....	76	14	4
,,	24.	Received cash from agents	24	3	7
		Discounts and returns allowed	4	16	6
,,	26.	Paid Snowball & Bell, £116, dis. £4 18 2.	120	18	2
,,	27.	Received cash, sales over counter	128	4	5
		Paid gas consumed in January	15	3	8
		Paid for stamps.....	30	–	–
,,	27.	Advertisem't orders per Advertising J'rnal:			
		Credit of £83 2 6, cash recd. with adverts.	152	9	9
		Production a/c., pd. editor and contributors	50	2	–
		,, ,, pd. compositors, machining and office wages	47	15	–
		,, ,, paid office cash, petty exs.	6	1	9
		Stamps used for subscribers' copies	69	7	–
		Sales to agents for month.....	140	10	6
		Production a/c., pd. News Agency telegrams	42	–	–
		Depreciation of building, machinery & plant	32	10	–
		,, fixtures, type & stereos (82)	18	9	6
		Stock of paper on hand.....	220	10	6
		,, *ink, wrappers and sundries*	15	3	8
		Liability for Subscriptions unfulfilled	284	17	6
		,, *for serial adverts. not yet appeared*	21	15	9
		Trial Balance £7510 18 10.			

Dr. **Subscriptions A/c. (Ex. 52).** **Cr.**

1897		£	s.	d.	1897		£	s.	d.
Jan. 31	To Postages	73	10	–	Jan 2	By Balance b/f ...	201	5	6
Feb. 27	,, Postages	69	7	–	,, 12	,, Cash	294	5	6
,, 27	,, *Subscriptions unfulfilled c/d.*	284	17	6	Feb. 4	,, Cash	116	7	6
,, 27	,, *Transfer to Sales A/c.*.....	184	4	–					
	£	611	18	6		£	611	18	6
					Mar. 1	By Subs. unfulfilled b/d	284	17	6

Dr. **Sales A/c. (Ex. 52.)** **Cr.**

1897		£	s.	d.	1897		£	s.	d.
Feb. 27	*To Transfer to P. & L. A/c.*	747	3	7	Jan. 31	By Cash Sales	131	7	4
					Feb. 2	,, Waste Paper ..	17	4	4
					,, 20	,, Waste Paper ..	10	4	6
					,, 27	,, Cash Sales	128	4	5
					,, 27	,, Agents for S.B.	275	19	–
					,, 27	,, Subscript'nsA/c.	184	4	–
	£	747	3	7		£	747	3	7

Dr. **Production A/c. (Ex. 52)** **Cr.**

1897		£	s.	d.	1897		£	s.	d.
Jan. 31	To Editor's and Contributors' Salaries ..	49	9	–	Feb. 27	*By Transfer to P. & L. A/c.*	277	16	4
,, 31	,, Compositors' and other Wages	41	–	–					
,, 31	,, Office Expenses ...	9	11	7					
,, 31	,, NewsAgencyTeleg's	31	17	–					
Feb. 27	,, Editor's and Contributors' Salaries ..	50	2	–					
,, 27	,, Compositors' and other Wages	47	15	–					
,, 27	,, Petty Expenses ...	6	1	9					
,, 27	,, NewsAgencyTeleg's	42	–	–					
		£277	16	4			£277	16	4

Dr. **Profit & Loss A/c. (Ex. 52).** **Cr.**

1897		£	s.	d.	1897		£	s.	d.
Feb. 27	To Production A/c.	277	16	4	Feb. 27	By Sales A/c.....	747	3	7
,, 27	,, Paper A/c.	260	19	–	,, 27	,, Advertisements A/c.	470	8	–
,, 27	,, Ink, Wrappers, A/c	46	7	4					
,, 27	,, Gas A/c	15	3	8	,, 27	,, Discount A/c.	10	5	2
,, 27	,, Discount and Returns A/c.	64	–	4					
,, 27	,, Depreciation A/c.	50	19	6					
,, 27	,, *NET PROFIT*..	512	10	7					
		£1227	16	9			£1227	16	9

BALANCE SHEET on 27th February, 1897.

Liabilities.	£	s.	d.	**Assets.**	£	s.	d.
Sundry Creditors :—				Cash in hand £1 9 2			
On Bills Payable ..	378	14	–	Cash at Bank 761 5 11			
On Open Accounts	179	7	4		762	15	1
Subscriptions	284	17	6	Postage Stamps	5	11	–
Advertisers	21	15	9	Sundry Debtors :—			
Capital :—				Agents.....£130 11 2			
1st Jan. £5418 7 6				Advertisers 180 3 2			
Add Profit 512 10 7					310	14	4
5930 18 1				Stocks of :—			
Less				Paper £220 10 6			
Drawings 200 – –				Ink, Wrappers and Sundries 15 3 8			
	5730	18	1		235	14	2
				Fixtures, Type & Stereos £567 16 5			
				Fixtures purchased .. 12 10 –			
				580 6 5			
				Less Type sold £11 4 6			
				Less			
				Depreciation 18 9 6			
				29 14 –			
					550	12	5
				Premises, Machinery & Fixed Plant .....£4726 10 –			
				Ink Rollers purchased 36 5 8			
				4762 15 8			
				Less Depreciation .... 32 10 –			
					4730	5	8
	6595	12	8		£6595	12	8

PARTNERSHIP.

202. A **Partnership** or private firm is the voluntary *unincorporated* association of two or more persons who contribute money, effects, labour, care, or skill, for the purpose of carrying on, as principals, a common undertaking, for a lawful object, for their common profit. The law of partnership has been declared and amended by **The Partnership Act, 1890,** which defines partnership as "the relation which subsists between persons carrying on business with a view of profit." The essence of partnership is *mutual agreement*, and the partnership *contract* need not be in writing, but may be entered into verbally, or inferred from the conduct of the parties. An agreement in writing for a partnership is designated by the name of **Articles of Partnership,** and, although not absolutely necessary, it is customary and expedient that such an agreement, setting forth all the terms arranged between the partners, should be prepared by a solicitor. The **Articles** should, at least, state (**1**) the nature of the business, (**2**) the firm or style under which it is to be known, (**3**) the trade mark adopted, if any, (**4**) its duration, (**5**) premiums, if any, (**6**) amount and proportion of capital, (**7**) interest, salaries, and allowances to partners, (**8**) conduct and power of partners, (**9**) preparation of accounts and division of profits and losses, (**10**) dissolution or method of winding up, (**11**) goodwill, (**12**) arbitration clause. A partnership is said to be **at will** when no limit has been fixed to its duration, and it may therefore be dissolved at any time; while a partnership for a **term** is that for which the time of dissolution has been previously fixed by the original agreement.

203. Persons who have entered into partnership with one another are called collectively a **firm,** and are **co-partners** to each other, the name under which they carry on business being the **firm name.** Partners may be active, dormant, or nominal. **Active** or **ordinary partners** are those who have joined together their money or labour with a view to the acquisition of gain, and who

are known to the public in such a capacity A **dormant, sleeping** or **silent partner** is, on the contrary, one who does not appear to the world as a partner. Although he has retired from active participation in the business, he still retains his capital therein, participates in the profits and is ordinarily responsible for the engagements of the firm. A **nominal** or **ostensible partner** is one who, without entering into any contract, incurs the liabilities of a partner, as between himself and third persons dealing with the firm, by lending his name and credit to a firm, or in any manner holding himself out as a partner therein, even without disclosing his name, if such holding out has come to the knowledge of such third persons. **Each partner** is deemed the **agent** of the rest, whether they be actual or nominal, acting or dormant, and has authority, as such, to bind them to any person dealing bona-fide by such contracts respecting the goods or business of the firm as are within the ordinary scope of the partnership dealing. Every partner is liable, jointly (and severally in Scotland), for the **debts** incurred by or on behalf of the firm in the ordinary course of business ; in fact, to this extent, each partner is an agent of and for the others. This liability extends to wrongful acts done in furtherance of the partnership business. The **Registration** of **Business Names** Act, 1916, requires every firm to be registered who carries on business under a name which does not consist of the true **Surnames** of all the Partners.

204. DISSOLUTION of partnership may be effected (**1**) by effluxion of time, if entered into for a fixed term, (**2**) by notice, if the partnership is for an undefined time, *i.e.*, a partnership at will, (**3**) by death or bankruptcy of any partner, unless there is an agreement to the contrary between the partners, (**4**) at the option of the other partners by one of the partners suffering his share of the partnership property to be charged for his separate debt (**5**) by the happening of any event which makes the partnership illegal, (**6**) by judgment of the Chancery Division of the High Court of Justice, which may be obtained on various grounds, such as lunacy of a partner, or permanent incapability of a partner to perform

his duties. When a **partner retires,** the other partners may agree to hold him free of all liabilities already incurred, and this, if assented to by the creditors, will give him a complete release; if the creditors are not partners to this agreement he is still a debtor. A retiring member is not as such liable for debts contracted subsequently to his retirement, but he may be so if he continues an apparent member of the firm as regards persons who are not aware that he had ceased to be a partner. In order to escape liability for future transactions of the firm, he should give **actual notice** to **customers** who were in the habit of dealing with it, but a **notice** in the **London Gazette** will be sufficient as regards persons who had no dealings with the firm before the date of the dissolution or change, and it is advisable in case of **local firms** to give further **notice** through the **local papers.** A dormant partner is not liable for debts contracted after his retirement, neither is the estate of a partner who dies or becomes bankrupt. The **creditors** of the **partnership** have a right to the payment of their debts out of the **partnership funds,** before the private creditors of any of the partners. On the other hand, the **separate creditors** of each partner are entitled to be first paid out of the **separate effects** of their debtor, before the partnership creditors can claim anything.

205. By **The Partnership Act, 1890,** the interests of partners in the partnership property and their rights and duties in relation to the partnership are determined, *in the absence of, and subject to, any agreement,* express or implied between the partners, by the following **rules:** (**1**) All the partners are entitled to **share equally** in the **capital** and **profits** of the business, and must contribute equally towards the losses, whether capital or otherwise, sustained by the firm. An agreement for inequalities may be conclusively inferred from the mode in which the partners have dealt with each other, and from the contents of the partnership books. (**2**) The firm must **indemnify** every partner in respect of payments made and personal liabilities incurred by him (*a*) in the ordinary and proper conduct of the business of

the firm ; or (*b*) in or about anything necessarily done for the preservation of the business or property of the firm. (**3**) A partner making, for the purpose of the partnership, any actual payment or **advance** beyond the amount of capital which he has agreed to subscribe, is entitled to **interest** on such a **loan** at the rate of five per centum per annum from the date of the payment or advance. (**4**) A partner is *not* entitled, before the ascertainment of profits, to **interest** on the capital subscribed by him. (**5**) Every partner may take part in the **management** of the partnership business. (**6**) No partner is entitled to **remuneration** for acting in the partnership business. A partner must *not* make **private gain** out of the partnership, or compete with the firm. **All profits** made by a partner in any business which he carries on in rivalry with the firm to which he belongs must be accounted for. (**7**) No person may be **introduced** as a **partner** without the consent of all existing partners. (**8**) Any **difference** arising as to ordinary matters connected with the partnership business may be **decided** by a **majority** of the partners, but no change may be made in the nature of the partnership business without the consent of all existing partners. (**9**) The partnership **books** must be kept at the place of business of the partnership, and every partner may, when he thinks fit, have access to and inspect and copy any of them. No partner is entitled to deprive his co-partner of his right to inspect the accounts by keeping them in a private book of his own.

206. Subject to any *agreement* between the partners, the **amount** due from **surviving** or continuing **partners** to an outgoing partner, or the representative of a deceased partner in respect of the outgoing or deceased partner's share, is a debt accruing at the date of the dissolution or death. In **settling accounts** between partners after a dissolution of partnership, the *Partnership Act*, 1890, enacts that the following **rules** shall, subject to any agreement, be observed :—(*a*) **Losses,** including losses and deficiencies of capital, are to be paid *first* out of profits, *next* out of capital, and *lastly*, if necessary, by the partners individually in the proportions in which

they were entitled to share profits ; (*b*) The **assets** of the firm, including the sums, if any, contributed by the partners to make up losses or deficiencies of capital, are to be applied in the following manner and order :—(**1**) In paying the debts and liabilities of the firm to persons who are not partners therein ; (**2**) In paying to each partner rateably what is due from the firm to him for advances as distinguished from capital ; (**3**) In paying to each partner rateably what is due from the firm to him in respect of capital ; (**4**) The ultimate residue, if any, shall be divided among the partners in the proportion in which profits are divisible.

207. The Limited Partnerships Act, 1907, which came into operation on the 1st January, 1908, allows a new kind of partnership to be constituted, consisting of one or more **general partners,** who are liable for all the debts of the partnership, and one or more **limited partners,** who are liable for such debts to a stated amount only. This Act constitutes, for the first time, a trading firm with *limited liability* of one or more of the partners. The **limited partner** can invest a **fixed sum** and can, from time to time, increase such amount if he so desires. He has no power or authority to bind the firm in any way, but he has full rights of investigation, examination and advice. He may, by himself, or his agents, at any time, inspect the books and examine into the state and prospects of the business, and may advise with the partners. But should a limited partner take any part in the management of the business he will be liable for all the debts incurred while he continues in the management, as if he were a general partner. Under this statute a young man starting in business can, with reasonable safety, be financed by any friends or relations who may be willing to risk a limited amount of capital as partners of a limited firm. Businesses already established, and finding their progress hampered by insufficient capital, can avail themselves of this simple method of introducing fresh capital, without the expense, trouble and formalities of turning themselves into limited companies.

208. A limited partnership cannot consist, in the case of a partnership carrying on the business of banking, of more than ten partners, and in the case of any other partnership, of more than twenty partners, and must consist of one or more partners, called **general partners,** who are **liable** for **all debts** and obligations of the firm, and one or more persons, to be called **limited partners,** who must at the time of entering into such partnership, contribute thereto a sum or sums as capital or property valued at a stated amount, and who will *not* be liable for the debts and obligations of the firm beyond the amount so contributed. A limited partner cannot, during the continuation of the partnership, either directly or indirectly, withdraw any part of his capital, and if he does withdraw any part thereof, he is liable for the debts and obligations of the firm up to the amount so withdrawn

209. A limited partnership must be **registered** in accordance with the provisions of the Act, or in default thereof it will be deemed an ordinary partnership, and every limited partner will be deemed to be a general partner. To obtain such a **registration** the following particulars signed by all the partners, must be sent to the Registrar of Joint Stock Companies in London ; if in Scotland to the Registrar in Edinburgh, and if in Ireland to Dublin—(*a*) the firm name ; (*b*) the general nature of the business ; (*c*) the principal place of business ; (*d*) the full name of each of the partners ; (*e*) the term, if any, for which the partnership is entered into, and the date of its commencement ; (*f*) a statement that the partnership is limited, and the description of every limited partner as such ; (*g*) the sum contributed by each limited partner, and whether paid in cash or how otherwise. If during the continuance of the limited partnership any **change** is made or occurs in the matters just specified, a statement signed by the firm, specifying the nature of the change, must, within seven days, be delivered to the Registrar, in default of which each of the general partners shall be liable for a fine not exceeding £1 per day during which the default continues. The **Statement** of the amount contributed

by a limited partner, and the statement of any increase in that amount sent to the registrar for registration under the Act, is chargeable with ad valorem stamp duty at the rate of 5/- per cent. **Any person** may **inspect** the Statements filed with the registrar on the payment of a fee of 1/-; and may **demand a copy** thereof on payment of the necessary fee.

210. The Act provides that, subject to any agreement, express or implied :—(*a*) any **difference** connected with the partnership business as to ordinary matters may be decided by a majority of the general partners, (*b*) a limited partner may, with the consent of the general partners, **assign** his shares, (*c*) the general partners shall not be entitled to **dissolve** if a limited partner charges his share for his separate debt, (*d*) a **new partner** may be introduced without the consent of the limited partners, (*e*) a limited partner is not entitled to dissolve the partnership by notice. A limited partnership cannot be **dissolved** by the death or bankruptcy of a limited partner, and the lunacy of a limited partner is no ground for the dissolution of the partnership by the Court, unless the lunatic's share cannot otherwise be ascertained and realised. **Notice** of any arrangement or transaction under which any person **ceases** to be a **general partner** and becomes a limited partner, or under which the share of a limited partner is **assigned** to any person, must be forthwith **advertised** in either the London, Edinburgh, or Dublin Gazette, according to the situation of the registered office of the firm, and until notice of the arrangement or transaction is so advertised it is deemed to be of no effect.

211. The **ACCOUNTS** of a **sole trader,** who carries on business at his own risk, and for his own exclusive account, only concern himself, and the persons with whom he deals, but the existence of a partnership necessitates additional accounts to record the (*a*) apportionment of capital, (*b*) remuneration of partners, (*c*) drawings of partners, and (*d*) division of profits. **Exercise 25,** explained on pages 70 to 74, in which the capital, interest, drawings and profits are equal, affords

an illustration of the simplest transactions in partnership a/cs. The **object** of keeping **partnership accounts** is to show (**1**) how the firm stands as regards strangers ; (**2**) how it stands towards its own members. The **Articles,** therefore, should provide not only for keeping proper books of account and for entry therein of all receipts and payments, but also for the preparation annually, at least, of a Profit and Loss Account and Balance Sheet. The Articles should also always contain a clause that the **accounts** when **signed** shall be treated as **conclusive,** and shall not be opened except for some manifest error discovered within a given time. It is usual to treat all the accounts of a partnership as accounts of the firm, and to deal with the accounts of each partner as if he were simply a debtor and creditor of the firm. Each partner's share of profit or loss is determined either by a verbal agreement, or the Articles, and in the absence of both, then the Partnership Act provides that it shall be divided **equally.**

212. A **Rest** in partnership accounts means that some particular account is to be closed at the date of the rest for the purpose of adjustment. Where such an account is one bearing **interest,** it implies that compound interest is to be calculated from the date of such rest to the next rest. Thus, Brown, a partner in a firm, lends money to the firm at the rate of 5 per cent., with half-yearly rests upon that account. This statement implies compound interest every half-year. **Salaries** of **partners** must always be charged to the Profit and Loss Account, while **Drawings** must be debited to their respective drawings or current accounts. If the capitals are *unequal* or the drawings are *unequal*, either in amount or period, **Interest** should be reckoned thereon. Interest on Capital should be **calculated** on the amount at the commencement of the period, and allowance made for any additions thereto, or withdrawals therefrom during the period, interest being worked from the exact dates thereof. The effect of omitting to charge Interest on Capital is as follows :—(1) If the capitals are equal, and the profits are shared unequally, the partner entitled to

the smaller share of profit will lose. (2) If the partners share profits equally, but the capitals are not equal, the partner with the larger capital will lose. (3) Where the capitals are unequal, and the profits are shared unequally, the result to the partners depends upon the proportion in which the profits are shared, and the respective amounts of capital held by them.

213. Interest on Drawings is best dealt with by the use of two money columns on the Debtor side of the Drawings A/c., one for recording the amount withdrawn, and the other for entering, on the same line, the interest payable in respect of each sum, calculated forward to the time of balancing the books. The **total** of the **interest column** would be passed through the Journal on balancing, thus: *George Green's Drawings A/c. Dr. To Interest A/c.* £3; and posted underneath the last withdrawal as follows:—

Dr. **George Green's Drawings A/c.** **Cr.**

1909.		Interest. £ s.	£	s.	d.	1909.		£	s.	d.
Mar. 31	To Cash ..... 9 mos.	1 10	40	-	-	Dec. 31	*By Transfer to Capital A/c.*	163	-	-
June 30	,, Cash ..... 6 mos.	1 -	40	-	-					
Sept. 30	,, Cash ..... 3 mos.	10	40	-	-					
Dec. 13	,, Cash		40	-	-					
,, 31	,, Interest		3	-	-					
		£ 3 -	163	-	-			£ 163	-	-

When an exercise states definitely the amount of the withdrawal, and the *interest accrued thereon up to the time of such withdrawal*, no calculation is, of course, required. But care must be taken when calculating the interest on the Capital to reckon it on the *net* capital only, after deduction of the withdrawal, and then *add the interest accrued on the withdrawal* to the interest on the net capital. For instance: *Capital* £9652, *withdrawn during the year* £520, *interest accrued thereon* £24, would be debited in the P. & L. A/c., thus:—

To Interest on Capital:—
For one year on £9132 @ 5%.....£456 12 -
To date of withdrawal on £520 @ 5% 24 - -
£480 12 -

214. While the above method of carrying the total of the Drawings A/c. to the Capital A/c. when balancing

the books is a common one, it is sometimes considered advisable to allow the amount of the **capital** of each partner to remain at its **original figure** and make *no* further entry in the Capital A/c. When this is the case, the share of profits due to each partner, as well as his Interest on Capital, is *credited* to his **Drawings A/c.,** instead of his Capital A/c., and any **balance** existing on closing the books is carried down, thus :—

Dr. **Fred Lodge's Drawings A/c.** **Cr.**

1914.		£	1914.		£
Mar. 31	To Cash	80	Dec. 31	By Interest on Capital.	250
June 30	,, Cash	80	,, 31	,, Share of Profit	350
Sept. 30	,, Cash	80			
Dec. 31	,, Cash	80			
,, 31	,, Interest	6			
,, 31	,, *Balance*.....c/d.	274			
		£600			£600
			1915.		
			Jan. 1	By Balance .....b/d.	274

215. It is principally in the **opening** and **closing** of the **account books** that partnership transactions are involved ; as in (*a*) the establishment or purchase of a partnership business, (*b*) the introduction of a new partner, (*c*) the dissolution of a partnership by death, retirement, expiration of period, an agreement to wind up, or insolvency. When the **only asset** of the partners at the commencement is **Cash,** the respective amounts are recorded on the Dr. side of the Cash Book and posted to the credit of the Capital a/cs. Should any or all of the partners provide Capital *in kind*, as Stock, Premises, Machinery, Patents, Copyright, &c., the values thereof must be *debited*, (through the medium of the Journal) to their respective accounts, and the total value of each contribution *credited* to the Capital a/c. of the partner contributing the same.

216. Where an **existing business** is to be **purchased** care must be taken by the purchasers that none of the assets are over-valued, and that an ample reserve is provided on the book debts. The price paid for the **Goodwill** must be added to the value of the assets, from the total of which will be deducted the amount (if any) due to Sundry Creditors, the *difference* shewing the Cash

payable to the Vendors. The purchasing firm must not make the mistake of spending *all* its capital on the purchase of the business, but must provide sufficient cash for **working capital.** It is advisable to record the purchase of a business in a specific account, similar to the following, which is supplemented by the first Balance Sheet of the new firm :—

Dr. Purchases of Business A/c. Cr.

1922		£	1922		£
Jan. 1	To Sundry Creditors	5000	Jan. 1	By Sundry Debtors	8600
	„ Cash paid to Vendors	18000		„ Stock	5300
				„ Machinery	2600
				„ Premises	4500
				„ Goodwill	2000
		£ 23000			£ 23000

Balance Sheet of Booth & Co., on 1st January, 1922.

Liabilities.		£	Assets.	£
Sundry Creditors		5000	Cash	2000
Capital :			Stock	5300
Egbert Booth	£10000		Sundry Debtors	8600
Alfred Griffin	5000		Machinery	2600
William Lord	5000		Premises	4500
		20000	Goodwill	2000
		£ 25000		£ 25000

217. The **admission** of a **new partner** generally necessitates either an addition to the Capital of the business, or the payment of a certain sum to the existing partners in respect of **Goodwill,** or as a **Premium.** The mere introduction of Capital in the form of Cash, would only require debiting in the Cash Book and posting to the credit of the Capital A/c. of the new partner. A payment to the existing partners in respect of **Goodwill** could be made *outside* the business, or the sum could be paid into the business, and *credited* to the *Capital A/cs.* of the *original partners.* By this treatment the original partners get the *full benefit* of the payment made in respect of Goodwill. For instance, if George Glover were admitted to the firm of Booth & Co., on payment of £5000 Capital, and £1000 for Goodwill, the above Balance Sheet would require the Cash increasing to £8000, the Capitals of Booth, Griffin, and Lord

increasing respectively to £10,500, £5250, £5250, and George Glover adding, with £5000, thus :—

Balance Sheet of Booth & Co.

Liabilities.	£	£	Assets.	£
Sundry Creditors		5000	Cash	8000
Capital :—			Stock	5300
Egbert Booth £10000			Sundry Debtors	8600
Add Goodwill 500			Machinery	2600
	10500		Premises	4500
Alfred Griffin 5000			Goodwill	2000
Add Goodwill 250				
	5250			
William Lord 5000				
Add Goodwill 250				
	5250			
George Glover	5000			
		26000		
	£	31000	£	31000

218. Another method is that of admitting a partner merely upon his subscribing Capital, *without any payment for* **Goodwill,** but on condition that an amount shall be *credited to the original owner* of the business in respect of Goodwill. For instance, Thomas Thorp's Capital stood at £1500, and he admitted Charles Sykes on the payment of £1000 in Cash, and on condition that the value of the Goodwill should be agreed at £500 and credited to Thorp. The following Balance Sheets illustrate the result of this arrangement.

Balance Sheet of Thomas Thorp on 1st Jan., 1914.

Liabilities.	£	Assets.	£
Creditors	3500	Cash	200
Capital	1500	Debtors	1600
		Stock	2500
		Premises	700
	£5000		£5000

Balance Sheet of Thorp & Sykes on 1st Jan., 1914.

Liabilities.	£	Assets.	£
Creditors	£3500	Cash	1200
Capital :—		Debtors	1600
Thomas Thorp 1500		Stock	2500
Add Goodwill 500		Premises	700
2000		Goodwill	500
Charles Sykes 1000			
3000			
	£6500		£6500

219. The payment of a **Premium** on admission to the partnership of a firm is practically an **admission fee** entitling the new partner to a share in the goodwill and profits of the business ; it is a method of securing an interest in and an income from a ready-made business. Such a **premium** is usually paid in cash, being handed over privately to the existing partners, *outside the business*, **no record** of the payment being made in the partnership books. Where one partner pays a premium to another on entering into a partnership for a fixed term, and the partnership is dissolved *before* the expiration of that term, otherwise than by the death of the partner, the Court may order the **repayment** of the premium or of such part thereof as it thinks just, having regard to the terms of the partnership contract, and to the length of the time during which the partnership is continued, unless (*a*) the dissolution is, in the judgment of the Court, wholly or chiefly due to the misconduct of the partner who paid the premium ; or (*b*) the partnership has been dissolved by an agreement containing no provision for a return of any part of the premium.

220. On the **dissolution** or **re-arrangement** of a partnership it is often necessary either to re-value or realise the assets and adjust the partnership accounts. All the **assets** should be carefully valued and any **Depreciation** or **Appreciation** of the book values adjusted through journal entries. **Expenses** paid in advance and those due, but not paid, at the time of preparing the accounts, should be apportioned. The most difficult asset to value, however, is generally **Goodwill.** In the event of a dissolution each partner (and the representative of a deceased partner), is entitled, in the *absence* of any agreement to the contrary, to have the Goodwill of the business sold for the common benefit of all the partners. In other words, the **Goodwill** and therefore the **firm-name,** is part of the partnership assets. In **practice** it is usual, in order to prevent such a sale from being inconvenient to the firm, to insert in the *Articles of Partnership,* a **stipulation** that, on the retirement or death of a partner, his share in the good-

will shall be **bought** by the remaining partners on some basis agreed upon. For instance, it may be stipulated that the goodwill shall be valued at *three years' purchase*, *i.e.*, on the basis of the aggregate of the net profits for the three years immediately preceding the dissolution. The meaning of *net profits* should be very clearly defined in the Articles, otherwise this expression may lead to serious disagreement and even litigation. In addition to the usual debits in a P. & L. A/c., partners' salaries and interest on capital should undoubtedly be charged, before arriving at the net profit. Goodwill indicates something transferable, and does not include the free services of the vendors. The **purchaser** of Goodwill *alone* is entitled to the use of the firm-name and to represent himself as continuing or succeeding to the business of the vendor. But the vendor's wife, having a separate estate, cannot be restrained from carrying on a competing business on her own account and in her *own* name. The vendor may also carry on a similar business and publicly advertise the same in competition with the purchaser, but *not* under the name of the former firm, whose customers he may *not* solicit.

221. Partners sometimes agree to effect **assurances** on their own lives, either jointly or severally, so that in the event of the **death** of a partner there is ample **ready cash** to pay out either the whole or a portion of the share of Goodwill and Capital due to the representatives of the deceased partner, the premiums being paid by the firm. This method often saves a firm from financial embarrassment at such a time, and is particularly advantageous where the surviving partners cannot introduce additional Capital at short notice. The **premiums** should be debited to the Profit & Loss A/c. of the firm, and in the event of the death of one of the partners, the amount received from the Insurance Co. should be divided in the proportion in which the partners share profits, and credited to their Capital A/cs., the deceased partner's Capital A/c. being credited with his share.

When the whole of the share of a deceased or retiring partner is not paid immediately, the balance should be

transferred to a **Loan A/c.,** Interest being credited at an agreed rate, and payments being debited as and when made.

222. The **accounting** necessary on **realisation** of a partnership estate involves the three following processes :—(**1**) Take stock, adjust the books, prepare the P. & L. A/c. and Balance Sheet ; in other words, **balance** the **books** as for the *ordinary periodical balancing*, totally regardless of the subsequent slaughter. The B/S. thus produced is the *basis* of the realisation. (**2**) Open a Realisation of Assets A/c. (**3**) The necessary adjustments having been made through the Capital A/cs., the balances will indicate the amounts due to or by each partner.

223. A **REALISATION** or **LIQUIDATION A/c.** is practically a **P. & L. A/c.** which is opened for the purpose of recording the transactions on the occasion of (1) transferring a business as a going concern (2) the admission of a new partner (3) the dissolution or rearrangement of a partnership, consequent upon the death or retirement of one of the partners, &c. ; or (4) the winding-up or discontinuance of a business. **Debit** the a/c. with the (*a*) *total value* of the **Assets** as shown in the B/S. or Statement of Affairs as at the date of the commencement of the transfer or liquidation (*b*) Liabilities *not* entered in the books or B/S. but which have to be paid, such as outstanding a/cs. for taxes, repairs, interest on loans or capital, bank charges, &c. (*c*) Expenses on realisation ; and **credit** the a/c. with the actual Cash proceeds of the assets realised. The **difference,** like that of the ordinary P. & L. A/c., if a debit balance, shows a loss ; if a credit balance, a profit ; which should be transferred to the Capital A/cs. of the respective partners in the proportions in which they are interested in the profits and losses of the firm, or to the P. & L. A/c. in the case of a company. Where the company being liquidated is to be taken over by a new company, a *debit* balance shows the *cost* of the concern

to the new company, and if a *credit* one, the amount of *profit* made out of the liquidation by the new company. It should be noted that the amount due to "Sundry Creditors £7000," appearing in the B/S. below, must *not* be entered in the Realisation A/c., which is only concerned with showing (*a*) on the **credit** side, the actual receipts of cash on the assets realised (*b*) on the **debit** side the book value of the assets; the amount due to creditors *not* entered in the books and therefore not included in the B/S.; and the expenses of the collection or sale of the assets. Any balance of Cash after payment of all the Creditors and the Expenses belongs, of course, to the partners; and if the profit or loss on realisation has been correctly carried to Capital A/cs., their *total balances will equal the cash in hand.* When a business is being **discontinued** and the assets realised, the following method might be adopted. Record the amounts received from the debtors, as well as those received in respect of the sale of the various assets, in their respective a/cs., deferring the preparation of the Realisation A/c. until the final balancing, carrying only the *differences* of the real and personal a/cs. to the Realisation A/c.

Example 1.—The following B/S. was extracted from the books of the firm, who omitted to include Sundry Outstanding Liabilities for Repairs, Rates, and Taxes, &c., amounting to £178. The realisation was completed on 30th Sept., the expenses being £737. The losses are borne in the same proportions in which the partners share the profits, in this instance according to the capital.

Balance Sheet on 30th June, 1922.

Liabilities.			**Assets.**	
Sundry Creditors :—			Cash at Bank	£660
On Mortgage	£4000		Sundry Debtors	3800
On Open A/cs.	3000		Stock-in-Trade	5560
		£7000	Plant & Machinery	2980
CAPITAL A/cs. :—			Freehold Premises	8000
Benjamin Brown	£7000			
John Jones	3500			
Robert Robinson	3500			
		£14000		
		£21000		£21000

Dr. Realisation of Assets A/c. Cr.

1922.			1922.		
June 30.	To Book Value of Assets as per B/S.	£21000	Sept. 30. By Cash at Bank, plus Int.		£685
Sept. 30.	„ Sundry Outstanding Creditors	178	„ „ Sundry Debtors		3460
	„ Expenses of Realisation	737	„ „ Stock-in-Trade		3405
			„ „ Plant & Machinery		2465
			„ „ Freehold Premises		8800
			„ *Loss on Realisation transferred to Capital A/cs of :—*		
			Benjamin Brown	£1550	
			John Jones	775	
			Robert Robinson	775	
					3100
		£21915			£21915

Dr. Benjamin Brown. Cr.

1922.		£	1922.		£
Sept. 30	To Loss on Realisation	1550	June 30	By Balance	7000
	„ Cash Repayment	5450			
		£ 7000			£ 7000

Dr. John Jones. Cr.

1922.		£	1922.		£
Sept. 30	To Loss on Realisation	775	June 30	By Balance	3500
	„ Cash Repayment	2725			
		£ 3500			£ 3500

Dr. Robert Robinson. Cr.

1922.		£	1922.		£
Sept 30.	To Loss on Realisation	775	June 30	By Balance	3500
	„ Cash Repayment	2725			
		£ 3500			£ 3500

Dr. Cash Account. Cr.

1922.		£	1922.		£
Sept. 30	To Realisation of Assets	18815	Sept. 30	By Creditors	7178
				„ Expenses	737
				„ Repayments to :—	
				Benjamin Brown	5450
				John Jones	2725
				Robert Robinson	2725
		£ 18815			£ 18815

224. It must be particularly noted that, in accordance with the decision of *Garner v. Murray*, on the occasion of a **dissolution,** where there is a **deficiency of capital,** after all the creditors are discharged, and in the absence

of any agreement to the contrary, the **Assets,** *including* the sums contributed by the partners to make up the losses or deficiencies of capital, must be applied in paying each partner rateably what is due from the firm to him in respect of capital. Consequently when one of three partners is unable to contribute his share of the deficiency of the assets to make good his capital, such deficiency is *not* borne by the solvent partners in the *same proportions* as a *loss,* but the **available assets** (cash produced by realisation, and the loss thereon chargeable against the solvent partners) must be divided between them in **proportion to their agreed capitals.** Mere losses by the firm, in the absence of any agreement, are always borne equally, but this rule does not apply to losses occasioned by the deficiency of a partner's capital. In other words, the issue to be decided in the winding-up of a *solvent* firm, is the proportion in which **Assets** are to be applied to the repayment of Capital when they are *not* sufficient to return it in full. It is not therefore, the division of a Loss, but the division of the Assets. In the case of an *insolvent* firm, however, where all the Assets are exhausted, the private fortunes of the partners may be charged proportionately to the sharing of the profits, but one partner, being unable to bear his share of loss, his co-partners again divide this as they would divide profits.

Example 2. **Balance Sheet, No. 1.**

Liabilities.	£	Assets.	£
Capital of Brown.....	650	Sundry Property	630
„ Jones	150	Deficiency of Sykes.....	170
£	800	£	800

The Assets are realised with the following results :—

Dr. **Realisation of Assets A/c.** **Cr.**

	£		£
To Book value of Assets	630	By Cash	480
		„ Loss on Realisation :—	
		Brown.....£50	
		Jones 50	
		Sykes 50	
		—	150
£	630	£	630

Balance Sheet No. 2.

Liabilities.	£	Assets.	£
Capital of Brown	650	Cash	480
„ Jones	150	Loss on Realisation, divisible as Profits :—	
		Brown, one-third....£50	
		Jones, one-third 50	100
			580
		Capital irrecoverable from Sykes..... £170	
		Add one-third loss. 50	220
	£ 800		£ 800

225. If Sykes could contribute his £220 he must do so, but being insolvent and therefore unable, the accounts must be **closed** as follows :—The **contribution** of £50 each by Brown and Jones must be brought in, and the **available assets** will then total to £580, as shown above. This amount will be apportioned between Brown and Jones as the respective capitals of each over the total capital are to the available funds ; but from the resulting figures—£471 5 – and £108 15 – must be *deducted*, in each case, the *contribution* of £50 made by the solvent partners, towards the loss on realisation :—

$\frac{650}{800}$ of £580 is	£471	5	–		
Less Brown's contribution	50	–	–	£421	5 –
$\frac{150}{800}$ of £580 is	108	15	–		
Less Jones' contribution	50	–	–	58	15 –
Equivalent to Cash available				£480	– –

Example 3. On the 1st January, 1922, the Capital of Messrs. Black & Co. was as follows :—Benjamin Black, £600 ; William White, £1373 ; George Green, £2004 ; Robert Red, £458. The Profit of the firm during the year amounted to £3871 10 10. On the 31st March, 30th June, 30th September, 31st December, Black and White withdrew £30 each ; Green and Red £40 each, these Drawings being subject to Interest at the rate of 5% per annum Credit Interest on Capital at 5%, and divide the profits as follows :—Benjamin Black $\frac{1}{3}$rd, William White $\frac{7}{24}$ths, George Green $\frac{5}{24}$ths, Robert Red $\frac{1}{8}$th. Prepare Profit and Loss A/c. and Balance Sheet as on 31st December, when the Sundry Liabilities amounted to £1202 – 2, and Sundry Assets to £7948 11 –.

Dr. **Profit & Loss A/c.** for the year ended 31st December, 1922. **Cr.**

	£	s.	d.		£	s.	d.
To **Interest** on Capital, viz. :—				By Profit	2871	10	10
Benjamin Black £30	–	–		,, Interest on Drawings .	10	10	
William White 68	13	–					
George Green 100	4	–					
Robert Red..... 22	18	–					
	221	15	–				
,, **Net Profit** :—							
Benjamin Black 1/3rd £886	15	3					
William White 7/24ths . 775	18	4					
George Green 5/24ths .. 554	4	7					
Robert Red 1/6th..... 443	7	8	2660	5	10		
	£2882	–	10		£2882	–	10

Balance Sheet of **Black & Co.** on 31st December, 1922.

				£	s.	d.		£	s.	d.
Sundry Liabilities				1202	–	2	**Sundry Assets**	7948	11	–
Capital, viz. :—										
Mr. Benj. Black, 1st Jan. 1922.....	£600	–	–							
Add Interest on Capital	30	–	–							
Add Share of Profits	886	15	3							
	1516	15	3							
Less Drawings£120 - -										
Less Interest 2 5 -	122	5	–	1394	10	3				
Mr. Wm. White, 1st Jan., 1922.....	1373	–	–							
Add Interest on Capital	68	13	–							
Add Share of Profits	775	18	4							
	2217	11	4							
Less Drawings£120 - -										
Less Interest 2 5 -	122	5	–	2095	6	4				
Mr. Geo. Green, 1st Jan., 1922.....	2004	–	–							
Add Interest on Capital	100	4	–							
Add Share of Profits	554	4	7							
	2658	8	7							
Less Drawings£160 - -										
Less Interest 3 - -	163	–	–	2495	8	7				
Mr. Robert Red, 1st Jan., 1922.....	458	–	–							
Add Interest on Capital	22	18	–							
Add Share of Profits	443	7	8							
	924	5	8							
Less Drawings£160 - -										
Less Interest 3 - -	163	–	–	761	5	8	6746	10	10	
				£7948	11	–		£7948	11	–

Partnership Exercise 1.

Arthur Allan, James Binns, and Cecil Clarke, traded in partnership, sharing Profits and Losses in the proportions of $\frac{1}{2}$, $\frac{1}{3}$, and $\frac{1}{6}$, respectively. They determined to give up business on 31st December, 1910, their Balance Sheet showing as follows :—

Sundry Creditors		£650	Sundry Debtors		£1200
Capital, viz. :—			Stock		2100
Arthur Allan £2220			Cash		90
James Binns	830	3050	Capital Deficiency of Cecil Clarke		310

They accepted an offer from Dixon & Co. of £1000 for the Book Debts, and £1700 for the Stock. Prepare Realisation A/c. and adjust the Capital A/cs. of the three partners.

Answer.—*Loss on Realisation*, £600 ; *Cap., A.A.*, £1920 ; *J.B.*, £630 ; *C.C. Dr. Balance* £410.

Partnership Exercise 2.

Edwin Elliott and Fred Field enter into partnership, upon equal terms, for the purpose of purchasing and continuing the old-established business of the late George Glover. The business was taken over from Glover's executors as on 1st January, 1910, as a going concern, upon the basis of the last certified Balance Sheet, which was as follows :—

Sundry Creditors	£3482	Freehold Premises	£14200
Reserve for Bad Debts	385	Plant A/c.	8100
Capital	26593	Sundry Debtors	3420
		Stock on hand	4140
		Office Furniture	600

The purchase price was agreed at £28000, which amount was found in equal shares, by Elliott and Field, and duly paid over to Glover's executors. In addition, each partner paid £1000 into the new firm's banking account to provide Working Capital, and it was agreed, before opening the new books, to reduce the valuation of the Plant (as shown above) by £500, the stock by £450, and the Office Furniture by £200. Make the opening entries necessary to record the above transactions in the books of the new firm, and draw up a Balance Sheet showing the position of Messrs. Elliott & Field, at the commencement of the new partnership.

Answer.—*Total of B/S.*, £33482.

Partnership Exercise 3.

Sundry Creditors		£270	Cash		£112
Capital, viz. :—			Sundry Debtors		2064
Henry Hill	£4396		Stock-in-trade		3084
Seth Sykes	4040	8436	Machinery & Plant		3446

Henry Hill and Seth Sykes were in partnership, the former taking one-third of the profits and the latter two-thirds. On the death of Sykes the B/S. was as given above. The Articles of Partnership stipulated that the amount due to either partner upon his death was to remain in the business, subject to interest at 5%, but to be repayable to the representatives of the deceased by four equal amounts of £1000 per annum and a fifth instalment disposing of the balance of Capital at the end of the fifth year. The Goodwill was to be valued at £2400, and Sykes' share of this was to be paid out of the future profits of the business at the rate of one quarter of the net profits per annum, with interest added to the unpaid portion from year to year at the rate of 4%. The profits of the business after the death of Sykes were, during the first year £1440 ; second year £2080 ; third year £2860 ; fourth year £3156, from which profits the interest mentioned above must be deducted before arriving at the amount payable annually for Goodwill. Prepare Capital A/c. and Goodwill A/c. of Sykes'

representatives, showing interest and annual payments ; also P. & L. A/c. of the firm necessary to record these transactions.

Answer.—*Int. on Cap., 1st year,* £202 ; *2nd,* £162 2 – ; *3rd,* £120 4 – ; *4th,* £76 4 4 ; *5th,* £30 – 6 ; *1st payment of Goodwill,* £293 10 – ; *2nd,* £465 15 5 ; *3rd,* £675 7 1 ; *4th,* £335 9 7.

Partnership Exercise 4.

Sundry Creditors	£1531	5	–	Cash	£20 14 6
Capital, Charles Carr .	77	–	–	Sundry Debtors	214 8 4
				Stock on hand	685 10 8
				Fixtures and Fittings ...	152 – –
				Machinery & Plant	400 – –
				Capital, deficiency of Walter Wake	135 11 6

Charles Carr and Walter Wake are in equal partnership, their Balance Sheet on 31st December, 1909, being given above. The Estate is realised with the following result :—Sundry Debtors, £165 ; Stock £500 ; Fixtures and Fittings, £50 ; Machinery, £200. The private estates of both partners are not sufficient to pay their private debts. The cost of collecting and distributing the Estate is £60. Prepare Realisation, Cash, Profit & Loss and Creditors' Accounts, showing what composition is paid on the Creditors.

Answer.—*Loss on Realisation,* £596 19 –. *Composition of* 11/5¼ *approx. in the* £, £875 14 6.

Partnership Exercise 5.

Henry Horn, Isaac Innis, and John Jenks are in partnership, their respective capitals being £1500, £1200, and £800. The partnership articles provide for interest on capital at 5% per annum, and profits and losses to be divided in the proportions of Henry Horn ½, Isaac Innis ⅓, John Jenks ⅙. Henry Horn has lent to the firm £1000 at 6% interest, and Isaac Innis £500 at the same rate. Interest on Capital and Loans is paid up to date. It is decided to dissolve partnership on 30th June, 1910, on which date the Assets and Liabilities (in addition to those to partners) of the firm were :—

Sundry Creditors	£3000	Machinery & Plant	£2000
Bank Overdraft	2000	Loose Tools, Patterns, &c. ...	1000
		Stock-in-Trade	2500
		Sundry Debtors	4500

The business was sold as a going concern subject to the following allowances off the book values :—Machinery and Plant 10% ; Loose Tools and Patterns and Stock, 20% ; Book Debts 15% ; but also subject to the payment of £600 for Goodwill. Prepare a Realisation A/c., and show what was the result to each partner.

Answer.—*Loss on Realisation,* £975. *Horn lost* £487 10 – ; *Innis* £325 ; *Jenks* £162 10 –.

Partnership Exercise 6.

Karl King, Lord Lane, and Maurice Munro were partners, and at the end of the term the following was the Balance Sheet :

Sundry Creditors			£17000	Cash	£125
Partner's Capital :—				Sundry Debtors	13500
Karl King	£9500			Stock	9400
Lord Lane	6225			Machinery & Plant	7000
Maurice Munro ..	1700		17425	Investments	4400

The business was liquidated ; the Book Debts realised £12780 ; the Stock £8100, and Machinery and Plant £4000, and the Investments £5200. The partnership agreement provided that profits and losses, whether on trading or realisation, should be divided in the proportion of Kark King 4, Lord Lane 3, Maurice Munro 2. The cost and expenses of liquidation amounted to £850. Make up statement showing the final accounts of the partners.

Answer.—*Loss on Realisation*, £5070 ; *Cap. K.K.* £7246 13 4 ; *L.L.* £4535 ; *M.M.* £573 6 8.

Partnership Exercise 7.

The surplus on 31st December, 1909, of assets over liabilities of a business in which Nero Nunns, Oliver Ogden, and Peter Price are partners was £22,460, and the shares therein of the partners were :—Nero Nunns, £9430 ; Oliver Ogden, £7560 ; Peter Price, £5470. The accounts are kept by single entry, and on 31st December, 1910, the surplus of assets over liabilities, after deducting partners' drawings, was £22,270. The amounts drawn by the partners during the year were :—Nero Nunns, £1840 ; Oliver Ogden, £920 ; Peter Price, £750. Profits and losses are divisible as follows :—Nero Nunns, $\frac{4}{10}$; Oliver Ogden, $\frac{3}{10}$; Peter Price, $\frac{3}{10}$. Make up accounts showing the shares of each partner in the surplus on 31st December, 1910, leaving interest out of account.

Answer.—*Share of Surplus*, *N.N.* £1328 ; *O.O.* £996 ; *P.P.* £996 ; *Capital*, *N.N.* £8918 ; *O.O.* £7636 ; *P.P.* £5716.

Partnership Exercise 8.

Carl Quinn and Robert Ripley commence trading in partnership on 1st Jan., 1910. The Trial Balance on 30th June, 1910.

Dr. Balances—		**Dr. Balances** continued—	
Debtors	£8860	Robert Ripley's Drawings	£300
Cash	10	General Expenses	1272
Purchases	22984	Discount Balances	201
Wages & Salaries	2326	**Cr. Balances—**	
Rents and Taxes	395	Capital	10000
Furniture & Fittings, cost	940	Sales	22458
Carl Quinn's Drawings	450	Creditors, net	5280

The Stock on 30th June, 1910, was £6192. Carl Quinn contributed £6000 of the capital and Robert Ripley £4000. Interest is to be allowed at the rate of 5% per annum on the capital, and profits and losses are divisible $\frac{7}{12}$ths to Carl Quinn and $\frac{5}{12}$ths to Robert Ripley. Prepare as on 30th June, 1910, Profit & Loss A/c., Balance Sheet and Capital A/cs., charging no interest on drawings, providing depreciation on furniture and fittings at the rate of 10% per annum, and reserving 5% for doubtful debts.

Answer.—*Net Profit* £732 ; *Cap., C.Q.* £6127 ; *R.R.* £4105. *Total of B/S.*, £15,512.

Partnership Exercise 9

The Balance Sheet of Benjamin Black, William White, George Green, and Robert Red, trading as Black & Co., stood as follows on 1st January, 1909 :—

Sundry Creditors	£429	Cash	£1872
Capital, viz. :—		Bills Receivable	72
Benjamin Black	600	Sundry Debtors	1744
William White	1373	Stock	730
George Green	2004	Stock on Consignment	150
Robert Red	458	Furniture	296

During the year the Stock on Consignment was sold for £295, from which was deducted, before the draft was received, Commission at the rate of 8%. A second Consignment (unsold at the time of balancing) had been sent at a cost price of £200. the expenses paid thereon being £8. The Purchases for the year were £5974. Sales, exclusive of Consignment, were £10032. Stock, 31st December, £596. The Sundry Debtors discharged their a/cs., less £30 for Discount. The Bills of Exchange were met, without allowance for discount. All the Sundry Creditors were paid, the allowance for discount being £20. Of the new Creditors the amount due at the end of the year was £1099, but included in the amount discharged was £79 for Discount. The firm's acceptances for £246 had fallen due and were paid, except one for £46 carried forward. New Debtors had paid £7751, and £400 had been allowed to them for Discount, the Bad Debts amounting to £40. Other Debtors had given, and met in full, acceptances amounting to £300. The General Expenses paid were £854, there being £68 due and unpaid. The Furniture A/c. is to be depreciated at the rate of 5% per annum. Reserve 5% for Discount on Debtors' Balances and 1% on Creditors' Balances. On the 31st March, 30th June, 30th September, 31st December, Black and White withdrew £30 ; Green and Red, £40 ; these Drawings being subject to interest at 5% per annum. Credit Interest on Capital at 5% and divide the Profits as follows :—Benjamin Black $\frac{1}{3}$rd, William White $\frac{7}{24}$ths, George Green $\frac{5}{24}$ths, Robert Red $\frac{1}{8}$th. Prepare Trading, P. & L., Cap. A/cs., and B/S.

Answer.—*Net Profit* £2660 5 10 ; *Cap. B.B.* £1394 10 3 ; *W.W.* £2095 6 4 ; *G.G.* £2495 8 7 ; *R.R.* £761 5 8.

Partnership Exercise 10.

On 1st January, 1910, Saville Smith, Titus Tate, Uriah Uttley, and Victor Venn (equal partners) had capitals respectively £8100, £7680, £6345, and £5985, bearing interest at 5%. Uriah Uttley died on 27th November, 1910, and by the deed he was entitled to share the year's net profits proportionately to the date of death. At the end of 1910 the Creditors stood at £345, the Debtors at £1479, Stock £9007, Freehold £15000, Cash £2034, Plant, &c., £4000, Vans, &c., £411. The profit for 1910 was £3476, before charging Interest on Capitals, and before reducing the plant and vans by 10% each and writing 4% off the Debtors. Also it is necessary to credit Uriah Uttley with Interest at 5% on his profits (but not on his one-fourth share of goodwill), from

date of death to end of year as well as upon his capital for the whole year. At the end of that year a Goodwill A/c. was to be raised equal to a sum of one and five-eighths of that year's net profits (*i.e.*, before charging Uriah Uttley's profits or interest on same).

Answer.—*Net Profit* £1570 4 10; *Uttley's share of Profit* £364 9 7; *Interest thereon* £1 14 –; *Goodwill* £2551 12 8; *Cap. U.U.'s Exors.* £7666 6 9; *S.S.* £9544 5 3; *T.T.* £9103 5 3; *V.V.* £7323 10 3.

Partnership Exercise 11.

Albert Ambler, Baron Butler, Cedric Carter, Dan Day, had, on 30th June, 1910, the following respective capitals to their credit, and the following respective shares of profits and losses; £2613, £954, £1172, £3721, and $\frac{7}{25}$ths, $\frac{4}{25}$ths, $\frac{6}{25}$ths, $\frac{8}{25}$ths. After having paid their creditors, the assets were sold and realised £2210. Cedric Carter brought in all that was due from him, but Baron Butler, however, could produce nothing from his private estate (that estate being in bankruptcy, and absolutely insolvent). Prepare Realisation, Cash and Capital A/cs.

Answer.—*Loss on Realisation*, £6250. *Butler's deficiency transferred to A.A.* £15 6 10; *C.C.* £8 16 2; *D.D.* £21 17 –.

Partnership Exercise 12.

Arthur Ainley is in business as an auctioneer, and on 31st December, 1909, his assets are :—Debtors, £3700; Furniture and Fittings £480; Cash at Bank, £2450. His liabilities to Sundry Creditors amount to £750. As from that date a partnership is arranged with James Batley, under which Batley acquires the right to one-third of the future profits on the following conditions :—(1) Ainley is entitled to withdraw for his own use the sum of £2000; pending withdrawal, the amount is treated as a loan to the partnership. (2) The value of the Goodwill is fixed at the sum of £4500. (3) Batley is to pay into the concern, as his share of capital, the sum of £3000. Draft the opening Journal entries for the partnership books, and give the B/S. of the partnership at its commencement, after Batley has paid in his £3000.

Answer.—*Cap. A.A.* £8380; *J.B.* £3000; *Total of B/S.* £14130.

Partnership Exercise 13.

John Gordon, Henry Harper, and Richard Avison are in partnership on the terms that Gordon receives out of profits a salary of £400 per annum, Harper £500, and Avison £600; and that the balance of profits, after payment of salaries, shall be divided as to the first £4000, $\frac{2}{3}$rds to Gordon, and $\frac{1}{3}$th each to Harper and Avison; and as to any excess above £4000 equally between the three partners. In consequence of illness, Gordon relinquishes his right to salary for the year 1909. The profits of that year, before charging salaries, amount to £6500; to what extent are Gordon, Harper, and Avison respectively affected by Gordon's concession ?

Answer.—*Gordon loses* £266 13 4; *Harper gains* £133 6 8; *Avison gains* £133 6 8.

TRADING & P. & L. ACCOUNTS.

226. A **TRADING** or **MANUFACTURING A/c.** partakes of the nature of a Profit & Loss A/c. in which the opening Stock and the more immediate or **direct cost** of **production** alone, and not of *distribution*, is summarised. The items to be thus **debited** to the Trading A/c. are brought from their respective a/cs. at the end of the period on balancing, and may consist of : (1) Opening Stock. (2) Purchases of raw materials or finished goods, or materials consumed in the process of manufacture, after deduction of Returns Outwards. (3) Packing materials, canvas, boxes, bags, cases, crates, straw, paper, string, labels, &c. (4) Carriage, cartage, transport, freight and shipping charges. Some accountants charge Carriage (Inwards) on Purchases to the Trading A/c., and Carriage (Outwards) on Sales to the P. & L. A/c. (5) Coal, Gold, or other Mining or Patent Royalties or Concessions Rents ; as well as the working costs of mining, developing, hauling, winning, milling, tramming, cyaniding, surface damages, &c. (6) Customs or Excise Duties. (7) Coal, coke, and other fuel ; when *extensively* used in the process of manufacture ; as in the production of earthenware, bricks, metal ware, &c., otherwise in the P. & L. A/c. (8) Manufacturing or productive Wages.

227. The **credit** side of a **Trading A/c.** only contains the Sales or Output, less Returns Inwards ; Commissions received, and closing Stocks. In some manufacturing concerns the *net* value of " Materials consumed " is given, thus indicating that the stock has been deducted from the materials purchased ; consequently the *stock* must *not* appear in the Trading A/c., only in the B/S. In gold mining only the gold produced must be credited to the Trading A/c. ; while gold ore in *stock*, not having been crushed, &c., and made sale able, must *not* be shown as a profit, being merely an asset. **Trade Discount** is usually *deducted* in the Purchases or Sales Books, and the *net* amount only posted to the ledger a/cs., but where the trade discount has not been so deducted, it should appear in the Trading

Account, but Trade or General Expenses, by reason of their miscellaneous character, should be placed in the P. & L. A/c. A Trading A/c. is **balanced** like an ordinary Goods A/c., the stock of materials and manufactured goods being credited and the *difference*, which is either a **gross profit** or a **gross loss,** being carried down or transferred to the Profit & Loss A/c. The **working** or **distributive expenses** of the business must be debited to the Profit & Loss A/c., and any other income credited, the *difference* being a **net profit** or a **net loss.**

228. In establishments where there are **departments** in respect of which it is desirous to ascertain what profits they each realise, it will be necessary to keep separate Trading and P. & L. A/cs., and to apportion and debit against each department its share of the **Standing Expenses** or **Establishment Charges,** viz. :— Rent, taxes, insurance, depreciation, lighting, power, warehouse, and office salaries, *cash* discounts, &c. As in the case of a Trading A/c., these various items relating to the cost of *distribution* are, of course, only transferred from the subsidiary A/cs. to the P. & L. A/c. when balancing. The P. & L. A/c. has thus a momentary existence ; it is opened only to be immediately closed. Where **insurance** is paid in advance it is preferable to show it as a deduction on the Dr. side of the P. & L. A/c. when possible ; in other cases it must be entered on the Cr. side.

229. The **division** of the **Profit & Loss A/c.** into **two sections** is usual in large businesses, the *first* section being used for the establishment charges (which may be sub-divided into mill charges and warehouse and office charges), and the gross profit brought down from the Trading A/c. The *second* section of the P. & L. A/c. shows on the Cr. side the balance brought down from section one and any rents or dividends received ; and on the Dr. side such expenses as do not affect your trading, for instance, partners' salaries, interest on capital, income tax, &c., as well as the disposition or appropriation of the net profit. The **advantage** derived

from thus dividing and sub-dividing the Trading and P. & L. A/cs., is in being able to watch readily the **percentage** of **profit** and to **compare** the percentage earned during one period with that earned during another.

230. The **authors** have prepared some printed and ruled **foolscap sheets** with a view to illustrating and facilitating the working of exercises, showing Trading and P. & L. A/cs. and B/S.,, and will forward a complete set on receipt of 1/2. Address : *P.O. Box A.* 27, *Huddersfield.* These sheets are very useful for **business men** when preparing their own a/cs. at the periodical balancing.

Dr. **Sales A/c.** **Cr.**

1921		£	1921		£
Dec. 31	*To Transfer to Trading A/c.*	96853	Jan. 31	By Sundries as per S.B.	10306
			Feb. 29	,, Ditto	9489
			Mar. 31	,, Ditto	7523
			April 30	,, Ditto	6394
			May 31	,, Ditto	8468
			June 30	,, Ditto	9705
			July 31	,, Ditto	10104
			Aug. 31	,, Ditto	8967
			Sept. 30	,, Ditto	10032
			Oct. 31	,, Ditto	5907
			Nov. 30	,, Ditto	4460
			Dec. 31	,, Ditto	5498
		£ 96853			£ 96853

Dr. **Trading A/c.** for the year ended 31st Dec., 1921. **Cr.**

	£		£
To **Stock** 1*st Jan.*, 1921, viz. :—		By Sales £96853	
Materials in process..£17255		,, *Less* Returns 3132	93721
Finished Pieces 16428			
	33683	,, Commission Work	365
,, Materials consumed.....	36969	,, **Stock** 31*st Dec.*, 1921 :—	
,, Dyewares consumed	2399	Materialsin process£15264	
,, Chemicals, Soap, Size, Oil, &c.	1608	Finished Pieces .. 16938	
,, Outwork	5266		32202
,, Packing Materials	225		
,, Carriage & Freight	942		
,, Manufacturing Wages	19816		
,, **Gross Profit** *carried to Profit & Loss A/c.*	25380		
	£ 126288		£ 126288

Dr. Profit & Loss A/c. for the year ended 31st Dec., 1921. **Cr.**

	£		£
To **Establishment Charges (Mill)**—		By Gross Profit from Trading A/c.	25380
Mill Managers' Salaries ..£1000		,, Discount on Purchases	727
Mechanics', Joiners', and Plumber's Wages 405			
Watchmen's and Time-keepers' Wages 127			
Coal and Motive Power .. 1996			
Rents, Rates, Taxes, Gas & Insurance 3539			
Mill Furnishings, Repairs, & renewals of Machinery 1602			
Mill Building Repairs ... 174			
Stables 140			
Cards 484			
Incidental Trade Expenses 268			
Depreciation, Plant & Machinery 1380			
	11115		
,, **Establishment Charges, (Warehouse and Office)**—			
Warehouse & Office Salaries 532			
Travellers' Salaries & Exs. 1218			
Rents, Rates, Taxes, Gas, & Insurance 363			
Stables 114			
Incidental Trade Expenses 200			
Commission 319			
Depreciation, Warehouse & Office Fittings 10			
	2756		
,, **General Charges**—			
Bank Charges 259			
Discount on Sales ..£1089			
Reserve for Discount 700			
1789			
Bad Debts 79			
Doubtful Debts R'serve 70			
149			
	2197		
BALANCE carried down.....	10039		
	£26107		£26107
To Partners' Salaries	£1500		
,, Interest on Loans and Capital ..	2400	By Balance b/d.	10039
,, Loss on Investments	66	,, Dividends received	300
,, Income Tax	200	,, Rents received ...	27
,, **Net Profit** *for the year*, viz. :—			
,, JohnCarnegie,three-fourths £4650			
,, Keir Hardie, one-fourth .. 1550			
	6200		
	£10366		£10366

231. A BALANCE SHEET is a statement showing in summary form the various **debit** and **credit balances** standing in the books at any given date (after collecting into the Trading and Profit & Loss A/cs. all balances

relating to Revenue), the items in the Balance Sheet being so grouped and classified as to show clearly the financial position of the concern at the date of the statement. It is compiled from the Trial Balance by arranging together only such items as represent Assets (Dr. balances) and Liabilities (Cr. balances), supplemented by Reserves, Unexpired Charges, and other sundry items for which adjustment has to be made, lists of the Debtors and Creditors having first been made and the total amounts of each being entered as *Sundry Debtors* and *Sundry Creditors*. A Balance Sheet must not only show whether the business is solvent or insolvent, and the amount of the Capital ; but also of what the Capital consists. Trading Capital or Assets is of two kinds—Fixed and Floating. The term *Capital* must not be considered as referring only to the excess of assets over liabilities. Capital includes the amount of credit a person is able to obtain on B/P., open a/cs., loans or mortgages. In the B/S. on page 280 the **Trading Capital** is £21633 7s. 4d., while the **Traders' or Proprietors' Capital** is only £11259 16s. 2d.

232. Fixed Capital or **Assets** is the property which you, as Capitalist, retain in your possession, and use in the carrying on and conduct of your business. For instance : land, buildings, plant, machinery, tools, fixtures, horses, carts, goodwill and permanent investments. While a horse used by a tradesman for ordinary business purposes would be fixed Capital, one in the hands of a Horse Dealer would become **Floating** or **Circulating Capital** or **Assets,** which consists of property a capitalist exchanges or deals in, *buys* and *sells*, in the ordinary way of business, with the object of making profit. For example : Stock-in-Trade of every description, Money in whatever form, and book debts. Machinery in the hands of a Machine Broker, Land owned by an Estate Company, Shares held by an Investment Company, would all be Floating Assets. So far as they are available, Assets of this nature form the **Working Capital** of the business in which they are employed.

233. Items placed on the **Assets** side of the Balance Sheet may be further divided into the following four classes :—(**1**) **Realisable,** such as Cash and those Assets which may be realised either at short notice or within a reasonable time, including marketable securities, debts due to the business, shares in dividend-paying companies, Stock-in-Trade, Freehold and Leasehold Property, Loans on Mortgage, etc. (**2**) **Assets unrealisable** except as a going concern, such as Buildings erected for a special purpose, Fixtures and Fittings, Plant, and Shares in non-dividend-paying companies. (**3**) **Assets** that are **Intangible,** some of them unrepresented by expenditure, and therefore largely **fictitious,** such as short Leases, unexpired Insurances, Rates, Taxes, &c., Trade Marks, Patents, Copyright, Goodwill, Development Expenditure, Preliminary Expenses. (**4**) **Losses,** such as a deficiency on the Profit & Loss A/c., or any special loss brought into the Balance Sheet.

234. In **preparing** a **Balance Sheet** the items must be **grouped, ranked,** or **marshalled** in a consistent manner. No definite rule can be laid down for marshalling the items beyond stating that there are two principal methods adopted in modern business. The **first method** is that in which the Assets are so arranged or marshalled according to their availability for the discharge of the Liabilities. That is, those Assets which may be readily realised come before those which are not so readily convertible into cash. The three items, Cash, Bills Receivable, and Investments—total £7462 1 11, shown in the Balance Sheet on page 280, would be called **Liquid Assets,** on account of the fact that they are *immediately* available or realisable for the payment of Liabilities. The **Liabilities** must be displayed in the order in which they would be required to be met, the Capital coming last. This arrangement of a Balance Sheet is generally adopted by **banks** and financial undertakings (see page 282) also by the smaller class of ordinary traders or firms.

235. The **second method** of **marshalling** the items is almost the reverse of the first method, the most unrealisable assets, such as Property, Fixtures, Machinery,

being put first, and Bills Receivable, Investments, and Cash last, as shown in the example on page 281. This method is the one adopted by some private businesses, and by most **Limited Companies,** whose Capital is generally stated first on the left-hand side of the B/S., followed by the various Liabilities. The **Nominal** or **Registered** or **Authorised Capital** is the maximum amount which a Limited Company has power to raise ; say, 50,000 shares of £1 each. **Issued** or **Subscribed Capital** is the amount offered and subscribed for, and consequently allotted in shares or stock to the shareholders ; say, £45,000 thus leaving £5,000 **Unissued Capital** to be issued at a later date, if necessary. The **Called-up Capital** is that portion of the Subscribed Capital which is necessary in order to carry on the business of the Company ; say, 10s. per share=£22,500. The **Paid-up Capital** is that part of the Called-up Capital which has actually been received in cash by the Company from the shareholders ; say, £22,400 : one shareholder having failed to pay the " call " made upon him.

236. The question now arises, does the following B/S. on page 280 show you to be free from financial embarrassments ? Yes. Why ? Because while your **Current Liabilities** (Sundry Creditors on B/P. and Open A/cs.), cannot possibly exceed £5373 11s. 2d., you have Liquid Assets to meet them amounting to £7462 1s. 11d. ; surplus £2088 10s. 9d. Had your Liquid Assets, however, only amounted to £500, even though your other assets had been correspondingly increased, your financial position would have been considered unsound, inasmuch as you would have been unable to meet readily the demands of your creditors. Such a B/S., while showing you to possess the same amount of capital, would nevertheless indicate what is known as **Overtrading,** which means purchasing beyond your capital ; or trading without adequate means actually at command.

237. If you had occasion to place the B/S. on page 280 before your **Banker** with the object of **negotiating a loan** you would find that in forming his estimate of your

financial position, he would depreciate your stock at least 10%, Plant, &c., 50%, Premises and Fittings, 75% and totally disregard the Goodwill. Business premises are generally most difficult to dispose of when forced upon the market ; Goods, Plant, Machinery and Fittings, when put under the hammer, are often sold at a great sacrifice, while Goodwill is generally unsaleable.

238. In **preparing** Trading, P. & L. A/cs., and B/S. from **exercises** it is advisable, first of all, to make a T.B., remembering *not* to include therein any of the various adjustment items, relative to reserves, depreciation, &c., which are generally given either at the beginning or the end of the exercise. When reserves and depreciations have to be provided be careful to show them both in the P. & L. A/c. and B/S. Where **depreciation** has been provided for in the a/cs. *before* the preparation of the T.B., it must be noted that the Real A/c. affected has been charged and that the *net* amount of the asset will appear among the Dr. balances of the T.B. ; therefore if it is desired to show such depreciation in the B/S., it must first be *added* to the amount as shown in the T.B., and then deducted. Care must be taken not to charge *excessive* depreciation in respect of capital additions during the period under review ; for instance, supposing Machinery A/c. stands on 1st January at £5000, and, during the following June, additional Machinery is purchased of the value of £500, the depreciation to be reckoned on the annual balancing in December (unless otherwise stated, would *not* be 10% on £5500 for twelve months, but would be 10% per annum on £5000=£500 ; plus 10% per annum on the £500=£25, the latter being for six months only.

Dr. **Machinery A/c.** **Cr.**

1921		£	1921		£
Jan. 1	To Balance .....b/f	5000	Dec. 31	By Depreciation :—	
June 20	„ Cash for additions	500		10% on £5000 £500	
				10% on £500 £25	
					525
			„ „	„ *Balance* .....c/d	4975
		£5500			£5500
1922					
Jan. 1	To Balance .....b/d	4975			

BALANCE SHEET of Messrs. Solvent & Capital on 31st December, 1921.

LIABILITIES.	£	s.	d.	£	s.	d.
Sundry Creditors, viz. :—						
On Mortgage of Freehold Premises ..				3000	-	-
Interest thereon						
Bank Overdraft						
On Loan, Arthur Swift				2000	-	-
On Bills Payable (as per List)				3005	2	6
On Open A/cs. (as per List)	2493	1	8			
Less Reserve for Discount	124	13	-			
Capital, viz. :—	£	s.	d.			
Alfred Solvent. 1st Jan. .	5000	-	-			
Add Interest on Capital .	250	-	-			
Add ½ Share of Profits ..	2940	3	4			
	8190	3	4			
Less Drawings £1270 3 6						
„ Interest 45 - -						
	1315	3	6			
				6874	19	10
John Capital, 1st Jan. ..	2500	-	-			
Add Interest on Capital	125	-	-			
Add ½ Share of Profits ..	2940	3	4			
	5565	3	4			
Less Drawings £1150 - -						
„ Interest 30 7 -						
	1180	7	-			
				4384	16	4
				11259	16	2
				£21633	7	4

Contingent Liability on B/R. discounted and not matured £1169 7s. 6d.

ASSETS.	£	s.	d	£	s.	d
Cash at Bank	2305	9	6			
„ at Office	15	-	-			
				2320	9	6
Investments (as per List)				1725	5	8
Sundry Debtors (as per List), viz. :—						
On Bills Receivable				3416	6	9
On Open Accounts .....£1750 -						
Less Doubtful Debts Reserve 87 10						
	1662	10	-			
Less Reserve for Discount	83	2	6			
				1579	7	6
Stocks (as per Stock Book), viz. :—						
Materials in process	896	10	-			
Finished Goods	1340	9	8			
Material	762	4	6			
Sundry Stores	169	7	9			
Goods on Consignment.....	326	5	6			
				3494	17	5
Plant and Machinery.						
On 1st January, 1921 .....£2000						
Add Additions 200						
	2200	-	-			
Less 10 per cent. Depreciation	220	-	-			
				1980	-	-
Horses, Carts & Rolling Stock.						
On 1st January, 1921	214	10	6			
Less Depreciation	20	-	-			
				194	10	6
Freehold Premises.				6000	-	-
Warehouse & Office Fittings&Furniture,						
1st January, 1921	150	-	-			
Less 5 per cent. Depreciation	7	10	-			
				142	10	-
Goodwill on 1st January, 1921¶	1000	-	-			
Less 25 per cent. Depreciation	250	-	-			
				750	-	-
Insurance prepaid				30	-	-
				£21633	7	4

DAVY BROTHERS, Limited, SHEFFIELD. Balance Sheet on 30th April, 1916.

CAPITAL AND LIABILITIES.

CAPITAL AUTHORISED—						£		
3000 Ordinary Shares of £35 each nominal value						105000		
60000 Five per cent. Cumulative Preference Shares of £1 each nominal value						60000		
CAPITAL ISSUED—						£165000		
3000 Ordinary Shares on each of which £30 has been paid				£90000	£	s.	d.	
32216 Preference Shares on each of which 20/- has been paid				32216				
					122216	-	-	
Debentures					30000	-	-	
Mortgage					6400	-	-	
Sundry Creditors					14013	9	11	
PROFIT & LOSS ACCOUNT—								
Balance as per last Balance Sheet ...		£13410	18	9				
Less Dividend July, 1915.....£5230	8 –							
Appropriated to Plant and Machinery...	7500 – –	12730	8	–				
Balance brought forward					£680	10	9	
Add Gross Profit for year ended 30th April, 1916		10760	7	3				
Less Interest on Mortgage and other Loans	1594 4 10							
Depreciation	1991 16 4	3586	1	2	7174	6	1	
Less Interim Dividend on Preference Shares paid 1st Feb., 1916					7854	16	10	
					730	8	–	7124 8 10
							£	179753 18 9

ASSETS.

				£	s.	d.
Land (Freehold) & Buildings, Fixed Plant & Machinery-						
As per last Balance Sheet £108394	7	10				
Less Appropriation from Profit & Loss Account, 1915.....	7500	–	–			
	100894	7	10			
Additions to Plant during the year	8240	12	1			
	109134	19	11			
Less Depreciation	1400	–	–	107734	19	11
Loose Plant & Tools, Patterns, &c.—						
As per last Balance Sheet	27787	2	3			
Added during the year	104	16	4			
	27891	18	7			
Less Depreciation	591	16	4	27300	2	3
Patents & Patent Rights				1000	-	-
Stock-in-Trade.....	10739	7	3			
Work in Progress 7679 1 4						
Less Instalments received in respect of same ..... 1500 – –	6179	1	4	16918	8	7
Sundry Debtors—						
Less Reserve for Bad Debts and Allowances				26635	8	–
Cash in hand				165	-	-
			£	179753	18	9

Balance Sheet of the London County Banking Company, Limited, 31st December, 1916.

LIABILITIES.	£	£	ASSETS.	£	£
Capital subscribed £8000000 paid up		2000000	**Cash** in hand and at Bank of England	£8274042	
Reserve Fund		1550000	Loans at call and short notice	2829890	11103932
Current and Deposit A/cs., with Interest accrued, circular notes, &c.		44474574	**Investments**, viz. :—		
Acceptances		1564638	Consols and other British Securities (of which £370630 Consols is lodged for Public Accounts)	7204905	
Rebate on bills not due carried to next A/c.		31803	India Government Stock, Guaranteed Railway Stocks and Debentures	1083632	
Net Profit for the half-year, after making provision for doubtful debts	£291905		Metropolitan and other Corporation Stocks, Railway Debentures and Colonial Bonds	1917827	
Transferred to premises account	25000		Other Securities	6716	10213080
	266905		Discounted Bills of Exchange current	7590062	
Carried to Reserve Fund	50000		Advances to Customers	18901478	26491540
	216905		Liabilities of Customers for Acceptances as per contra		1564638
P/L. balance b/f. from last a/c.	89957	306862	Bank Premises in London and country	579687	
			Less amount transferred from P. & L. A/c.	25000	554687
	£	49927877		£	49927877

Dr. Profit and Loss A/c. for the half-year ending 31st December, 1916. Cr.

	£	£		£
To Interest paid to Customers		135466	By „ Balance b/f. from last a/c.	89957
„ Salaries and all other expenses including income tax on profits and salaries, auditors' and directors' remuneration		295760	„ Gross Profit for the half-year, after making provision for doubtful debts and including rebate £27281 17s. 6d., brought from 30th June last	754934
„ Rebate on bills not due, carried to new a/c.		31803		
„ Transferred to Premises A/c.		25000		
„ Carried to Reserve Fund		50000		
„ Dividend 10% for the half-year	£200000			
„ Bonus 1%	20000			
„ Balance carried forward	86862	306862		
	£	844891	£	844891

239. ERRORS, their Discovery and Rectification. If the **totals** of the **Trial Balance** should disagree you must first of all carefully recast them in order to satisfy yourself that the error is not in the totalling. Then compare each item in the T.B. with the respective totals or balances, some of which you may have omitted to carry to the T.B., or placed in the wrong column thereof, or it may be that some of the totals or balances are themselves incorrect. If still undiscovered ascertain the *difference* existing, and look carefully through the Journal for that amount, or the half of it, and if detected, confirm it by reference to the Ledger posting. If your search proves unsuccessful you must then check each posting until the error be found. You may have omitted to post an item, or have transposed or misplaced the figures, *i.e.*, £1 18 4 as £11 8 4. The value of stock must never be credited before the T.B. is arranged, as it would create a disagreement between the two columns. The T.B. will not reveal such errors as (*a*) posting an amount to the *wrong A/c.* (*b*) omitting to post *two* equal sums to both sides of the Ledger.

240. ERRORS in JOURNALISING, if discovered before posting, may be ruled through, and a fresh entry made. Should, however, an incorrect entry have been posted, it will be necessary to make a compensating entry in the Journal to remedy the defect. The following are a few examples of errors, each followed by its rectifying Journal entry :—

1. "E. Bate Dr. to A. Field, £50," instead of £150.
   E. Bate Dr. to A. Field, £100.
2. "Bank Dr. to I. Kay, £300," instead of J. Kay.
   I. Kay Dr. to J. Kay, £300.
3. "T. Smith Dr. to Goods £20," instead of Bank Dr. to Goods. *Bank Dr. To T. Smith*, £20.
4. "Cash Dr. to Bank, £100," instead of Bank Dr. to Cash. *Bank Dr. To Cash*, £200.
5. "Cloth Dr. to A. Cook, £50," instead of Cloth Dr. £150, to Cook & Co., £50, and A. Cook, £100.
   Cloth Dr. £100, *To Cook & Co.*, £50, *and A. Cook*, £50.
6. "B. Gott, Dr. to Bank, £35," instead of Bank Dr. to B. Gott, £3$\frac{1}{2}$5s. –. *Bank Dr. To B. Gott*, £38 5 –.
7. "Brook Bros., Dr. to Goods, £380," instead of Brook Bros., £300 and Brooks & Co., £80 Dr. to Goods. *Brooks & Co., Dr. To Brook Bros.*, £80.

241. ERRORS in POSTING must be rectified by transfer entries which must be passed through the Journal. The compensating Journal entry is given after each of the following examples of mis-postings.

1. Posted £50 to the Cr. side of A. Hart's a/c. instead of the Cr. side of T. Sterne's a/c. *A. Hart Dr. To T. Sterne*, £50.
2. Posted £10 to the Cr. side of Goods a/c., and the Dr. side of F. Day's a/c., instead of the Dr. side of Goods a/c. and Cr. side of F. Day's a/c. *Goods Dr. to F. Day*, £20.
3. Posted T. Flint Dr. to Bank £50 to both a/cs., instead of £56. *T. Flint Dr. To Bank*, £6.

242. LEDGERS being for **posting only** from the *Books of Original Entry*, no entry must be made therein without having been first entered either in the Cash or one of the subsidiary books. When this rule is violated the original entry in the Ledger is known as a "Blind Entry." In extensive concerns it is found necessary to keep the Ledgers in parts or sections on account of the impossibility for one Book-keeper to post all the transactions, and the inconvenience that would arise from having to handle an otherwise large and cumbrous book. Ledgers are primarily divided into three :—(**1**) **Credit** or **Purchases Ledger ;** (**2**) **Debit** or **Sales** or **Customers' Ledger;** (**3**) **Impersonal** or **General Ledger.** In very large establishments the first two are further divided into London and Country, Home and Foreign, and District or Travellers' Ledgers, each one being kept by a different Book-keeper, who makes out his own Statements, and checks those coming in from other firms relating to his own department. The Debtors' and Creditors' Ledgers are, of course, posted daily. The Impersonal or General Ledger is for recording all a/cs. except personal a/cs. and cash or bank, and is often kept by a member of the firm, the postings being made monthly. The **Impersonal Ledger** may be divided into two books—**General** and **Private**—the former containing all the subsidiary P. & L. A/cs. and the latter being reserved for the Capital, Trading, P. & L. A/cs. and B/S. only. In the case of **Banks,** the a/cs. of the customers are contained in a large number of Ledgers, each of which is allotted to one or more letters of the alphabet, *e. g.* :—A to C ; D to G ; H to L ; M to O ; P to S ; T to Z.

243. When **SECTIONAL LEDGERS** are thus employed they should be made **Self-balancing,** *i.e.*, balance in themselves without the aid of any other book; contain within themselves a complete T.B. The special **advantages** of Self-Balancing Ledgers are in reducing the risk of compensating errors remaining undetected ; in being able to localise errors to any one particular Ledger, in helping to prevent or detect fraud on the part of one of the Book-keepers ; in other words, to verify the accuracy of each Ledger separately. The Purchases and Sales Ledgers, which always contain the greater number of accounts, should be balanced separately at least once every month, so as to avoid having to check a large number of postings in case of an error. **Exercise 28,** pages 124-6, is taken for the purpose of illustrating this subject. The Journal, Purchases, Sales, and Cash Books require to be entered in the usual way, plus *three extra cash columns* in the Journal and on each side of the Cash Book, headed "Purchases Ledger," "Sales Ledger," "General Ledger," although some Book-keepers might prefer to dissect or *summarise* the various entries similar to the Sales Book on page 92, and thus dispense with the extra columns suggested. **Post** the following accounts to the **Purchases** or **Bought** or **Creditors' Ledger ;** J. Morrison & Sons, Robertson & Cooper, D. Byer & Sons, Glasgow Aniline Co., Rennie & Sons, A. Millar ; to the **Sales** or **Debtors' Ledger ;** Leslie & Co., Gordon & Jackson, Macdonald & Co., Borthwick & Stewart, Baird & Sons, Henderson & Linton, Boyd & Nesbit ; the remainder of the accounts to the **General Ledger.**

244. If each Ledger is kept separately it follows that, in order to carry out the principle of double entry, certain Adjustment, or Reconciliation, or Balance A/cs. must be kept ; for instance, all the items in the Purchases Book have been posted to the Cr. side of the personal a/cs. in the Purchases Ledger, and in order to complete the double entry the *total* of these purchases must be debited to an *Adjustment A/c.* in that Ledger and credited to the *Purchases Ledger Adjustment A/c.* in the General Ledger. This shows that for every item posted in the Departmental Ledgers there must be

posted a contra or opposite entry to an Adjustment A/c., these items being entered in totals for convenience. Thus every Ledger is made self-balancing by each Departmental Ledger containing a *General Ledger Adjustment A/c.*, and the General Ledger having an *Adjustment A/c.* for each Departmental Ledger.

245. In the **Purchases Ledger** open an account headed *General Ledger Adjustment A/c.*, and post to the **Dr.** side from the Purchases Ledger Column of the Journal the total of the opening entries, £1118 6 6, also the £18 5 9 for Stationery. The next items to be debited are the **totals** of the **Purchases Book ;** Dyewoods £381 5 – ; Colours £641 16 8. The Adjustment A/c. must now be *credited* with the **total** of the Purchases Ledger Column on the **Cr.** side of the **Cash Book** (including discount), £952 – 4. If there had been any goods returned or Bills accepted, the totals thereof would also have needed crediting. The **difference** between the two sides of this a/c. is £1207 13 7, which is the total of the balances of the Purchases Ledger, and agrees with the balance of the *Purchases Ledger Adjustment A/c.* in the General Ledger. As there is always a greater value of *credit* than debit balances in the Purchases Ledger, it follows that the Adjustment A/c. will always show a *debit* balance.

Dr. General Ledger Adjustment A/c. (Ex. 28.) Cr.

1908		£	s.	d.	1908		£	s.	d.
Jan. 1	To Credit of Purchases Ledger.	1118	6	6	Jan. 31	By Cash Book total of Cr. entries .	921	-	-
19	„ Journal (Stationery)	18	5	9		„ Discount.....	31	-	4
„ 31	„ Sundries, per Purchases Book—					„ Returns Book	-	-	-
	Dyewoods .	381	5	-		„ Bills Payable .	-	-	-
	Colours	641	16	8		„ *Balance c/d* ...	1207	13	7
	£	2159	13	11		£	2159	13	11
Feb. 1	To Balance b/d	1207	13	7					

246. In the **Sales Ledger** open an account headed *General Ledger Adjustment A/c.* and post to the **Cr.** side from the Sales Ledger Column of the Journal the total of the opening entries, £639 10 7, and *debit* the Bad Debt of £8 18 2. The next items to be credited are the **totals** of the **Sales Book.** Dyewoods £700 5 1,

Colours £1666 16 1. This Adjustment A/c. must now be *debited* with the **total** (less discount) of the Sales Ledger Column on the **Dr.** side of the **Cash Book** £999 3 4; also Discount £19 16 3. If there had been any goods returned or Bills received the totals thereof would have needed debiting. The **difference** between the two sides of this a/c. is £1978 14 –, which is the total of the balances of the Sales Ledger, and agrees with the balance of the *Sales Ledger Adjustment A/c.* in the General Ledger. As there is always a greater value of *debit* than credit balances in the Sales Ledger it follows that the Adjustment A/c. will always show a *credit* balance.

Dr. General Ledger Adjustment A/c. (Ex. 28.) Cr.

1908		£	s.	d.	1908		£	s.	d.
Jan. 31	To Journal (Bad Debt)	8	18	2	Jan. 1	By Debit of Sales Ledger b/f	639	10	7
,, ,,	,, Cash Book total of Dr. entries	999	3	4	,, 31	,, Sundries per Sales Book—			
,, ,,	,, Discount	19	16	3		Dyewoods	700	5	1
,, ,,	,, Returns Book	-	-	-		Colours	1666	16	1
,, ,,	,, Bills Receivable	-	-	-					
,, ,,	,, *Balance c/d*	1978	14	-					
	£	3006	11	9		£	3006	11	9
					Feb. 1	By Balance b/d	1978	14	-

In the **General Ledger** open the two following a/cs.:

Dr. Purchases Ledger Adjustment A/c. Cr.

1908		£	s.	d.	1908		£	s.	d.
Jan. 31	To Cash Book	921	-	-	Jan. 1	By Cr. of Purchases Ledger b/f	1118	6	6
,, ,,	,, Discount	31	-	4	,, 19	,, Journal (Staty.)	18	5	9
,, ,,	,, Returns Book	-	-	-	,, 31	,, Sundries P/B.—			
,, ,,	,, Bills Payable	-	-	-		Dyewoods	381	5	-
,, ,,	,, *Balance c/d.*	1207	13	7		Colours	641	16	8
	£	2159	13	11		£	2159	13	11
					Feb. 1	By Balance b/d.	1207	13	7

Dr. Sales Ledger Adjustment A/c. Cr.

1908		£	s.	d.	1908		£	s.	d.
Jan. 1	To Debit of Sales Ledger b/f.	639	10	7	Jan. 31	By Journal (Bad Debt)	8	18	2
,, 31	,, SundriesperS/B.				,, ,,	,, Cash Book	999	3	4
	Dyewoods	700	5	1	,, ,,	,, Discount	19	16	3
	Colours	1666	16	1	,, ,,	,, Returns Book	-	-	-
					,, ,,	,, BillsReceivable	-	-	-
					,, ,,	,, *Balance c/d.*	1978	14	-
	£	3006	11	9		£	3006	11	9
Feb. 1	To Balance b/d.	1978	14	-					

247. From the above it will be seen that the Adjustment A/cs. in the Purchases and Sales Ledgers are identical with their respective Adjustment A/cs. in the General Ledger, except that the debits in one are credits in the other, and *vice-versa*. Therefore, if the balances of these two a/cs. agree, the postings should be correct. The adjustment entries should, of course, be made through the Journal, similar to the following :—

On Proving Purchases Ledger. Ex. 28.

1908		Dr. £	s.	d.	Cr. £	s.	d.
Jan. 1	General Led. Adj. A/c.....Dr.	1118	6	6			
	To Purchases Led. Adj. A/c...				1118	6	6
	(Being Cr. Balances at commencement of month).						
„ 19	General Ledger Adj. A/c. .....Dr.	18	5	9			
	To Purchases Led. Adj. A/c...				18	5	9
	(Being Purchase of Staty. from J.)						
„ 31	General Ledger Adj. A/c. .....Dr.	1023	1	8			
	To Purchases Led. Adj. A/c...				1023	1	8
	(Being Purchases for month.)						
„ 31	Purchases Led. Adj. A/c. .....Dr.	921	-	-			
	To General Led. Adj. A/c.....				921	-	-
	(Being Cash paid during month.)						
„ 31	Purchases Led. Adj. A/c..... Dr.	31	-	4			
	To General Led. Adj. A/c.....				31	-	4
	(Being Dis. allowed on payments.)						

On Proving Sales Ledger. Ex. 28.

1908		£	s.	d.	£	s.	d.
Jan. 1	Sales Led. Adj. A/c. .....Dr.	639	10	7			
	To General Led. Adj. A/c. ...				639	10	7
	(Being Dr. Balances at commencement of month.)						
„ 31	General Led. Adj. A/c.....Dr.	8	18	2			
	To Sales Led. Adj. A/c.				8	18	2
	(Being Bad Debt from Journal.)						
„ 31	Sales Led. Adj. A/c.....Dr.	2367	1	2			
	To General Led. Adj. A/c.....				2367	1	2
	(Being Sales for month.)						
„ 31	General Led. Adj. A/c.....Dr.	999	3	4			
	To Sales Led. Adj. A/c.....				999	3	4
	(Being Cash received during month)						
„ 31	General Led. Adj. A/c.....Dr.	19	16	3			
	To Sales Led. Adj. A/c.....				19	16	3
	(Being Discount allowed on receipts)						

Exercises 28 (pages 124–6).

Purchases Ledger Trial Balance.	Dr. £	s.	d.	Cr. £	s.	d.
Morrison & Sons				78	5	–
Robertson & Cooper				505	14	5
Byer & Sons				387	18	6
Glasgow Anvil Co.				235	15	8
Rennie & Sons						
Alexander Millar						
General Ledger Adjustment A/c.	1207	13	7			
	£1207	13	7	£1207	13	7

Sales Ledger Trial Balance.	Dr. £	s.	d.	Cr. £	s.	d.
Leslie & Co.	454	8	–			
Gordon & Jackson	763	16	4			
Macdonald & Co.	145	5	–			
Borthwick & Stewart						
Baird & Sons	261	1	2			
Henderson & Linton	414	3	6			
Boyd & Nesbit						
General Ledger Adjustment A/c.				1978	14	–
	£1978	14	–	£1978	14	–

General Ledger Trial Balance.	Dr. £	s.	d.	Cr. £	s.	d.
Robert Inglis, Capital A/c.				1330	6	6
Robert Inglis, Drawings A/c.	35	–	–			
Wilson Glennie, Capital A/c.				1425	19	5
Wilson Glennie, Drawings A/c.	20	–	–			
Dyewoods A/c.	761	18	4			
Colours A/c.	261	7	4			
Office Furniture A/c.	106	10	–			
Horses, Waggons, &c., A/c.	180	–	–			
Wages A/c.	33	17	8			
Carriage A/c.	8	5	6			
Trade Expenses A/c.	69	14	3			
Bad Debts A/c.	8	18	2			
Purchases Ledger Adjustment A/c.				1207	13	7
Sales Ledger Adjustment A/c.	1978	14	–			
Cash A/c.	28	6	4			
Bank A/c.	482	12	–			
Discount A/c.				11	4	1
	£3975	3	7	£3975	3	7

248. There is, perhaps, nothing in the work of the book-keeper, particularly in a large business, which is

Dr. **CASH BOOK.** **Exercise 28** (pages 124-6).

	RECEIPTS.	Led. Fo.	Purchases Ledger.	Sales Ledger.	General Ledger.	Discount.	Office.	Bank.
				£ s. d.		£ s. d.	£ s. d.	£ s.
1908								
Jan. 1	To Balance	b/f					87 16 8	500 -
,, 6	,, Gordon & Jackson			84 16 5		2 2 5	82 14 -	
,, 7	,, Office							160 -
,, 12	,, Bank						40 - -	
,, 20	,, Leslie & Co.			138 4 6		3 9 6		134 15
,, 21	,, Macdonald & Co.			216 9 8		5 8 8	211 1 -	
,, ,,	,, Borthwick & Stewart			101 12 3		2 10 3	99 2 -	
,, 22	,, Baird & Sons			117 15 5		3 18 5	114 17 -	
,, ,,	,, Bank						30 - -	
,, ,,	,, Henderson & Linton			133 7 -		3 7 -	130 - -	
,, ,,	,, Office							555 - -
,, ,,	,, Boyd & Nesbit			200 - -				200 - -
,, 26	,, Boyd & Nesbit			26 14 4			26 14 4	
			For receipt of Cash paid in excess to Creditor.		For receipt of Capital or Discounted B/E.			
				£1018 19 7		£19 16 3	£822 5 -	£1549 15 -
Feb. 1	To Balances	b/d					28 6 4	482 12 -

	PAYMENTS.	Led. Fo.	Purchases Ledger.	Sales Ledger.	General Ledger.	Discount.	Office.	Bank.
1908			£ s. d.		£ s. d.	£ s. d.	£ s. d.	£ s. d.
Jan. 5	By Rennie & Sons		100 - -					100 - -
,, 7	,, Bank						160 - -	
,, 8	,, Office Furniture A/c.				6 10 -		6 10 -	
,, 10	,, Robertson & Cooper		220 - -			20 - -		200 - -
,, 12	,, Office							40 - -
,, 13	,, Wages A/c.				11 12 -		11 12 -	
,, 15	,, Rennie & Sons		281 5 -					281 5 -
,, ,,	,, Horse Corn				3 8 6		3 8 6	
,, 18	,, Carriage A/c.				8 5 6		8 5 6	
,, ,,	,, Glasgow Aniline Co.		153 16 9			7 13 9		146 3 -
,, 20	,, Robert Inglis (Drawings A/c.)				15 - -		15 - -	
,, 21	,, Repairs				3 8 6		3 8 6	
,, ,,	,, Morrison & Sons		178 12 10			2 9 10		176 3 -
,, 22	,, Office							30 - -
,, ,,	,, Repairs				6 18 6		6 18 6	
,, ,,	,, Bank						555 - -	
,, 24	,, Wages A/c.				22 5 8		22 5 8	
,, ,,	,, Rent				25 - -			25 - -
,, 25	,, Wilson Glennie (Drawings A/c.)				20 - -			20 - -
,, ,,	,, Alexander Millar		18 5 9			- 16 9		17 9 -
,, 28	,, Insurance				1 10 -		1 10 -	
,, 29	,, Robert Inglis (Drawings A/c.)				20 - -			20 - -
,, 31	,, Trade Expenses A/c.				11 3 -			11 3 -
,, ,,	,, *Balances*	*c/d*					28 6 4	482 12 -
			£952 - 4	For Payment of Cash received in excess to Debtor.	£155 1 8	£31 - 4	£822 5 -	£1649 15 -

more tedious and laborious and causes such a waste of time as the periodical transfer of accounts from a full into a **new Ledger.** His attempt to allocate to each account the number of pages it is *expected* it will occupy is always more or less futile ; reference to the index will generally show that a large number of the accounts have been moved into several different positions, thus making the allocation of an account by its folio somewhat difficult. With the view of avoiding this periodical transfer of accounts and of economising generally in this matter, there are now being introduced what are known as **Perpetual Ledgers,** which consist either of (1) **loose leaves** bound together in the form of an ordinary book-wise letter-file, where a punched leaf may be inserted or extracted at will ; or (2) **loose cards** kept in a drawer or tray, into which the cards are fastened by means of a rod passing through a slot in the bottom of the card. Both systems admit either of the alphabetical or numerical arrangement of the sheets and cards, or a combination of the two ; and the advantages afforded by the adoption of either system may be stated as follows :—(1) Opening of new Ledgers dispensed with. (2) The position of an account *never changes.* (3) No blank leaves or cards. (4) The removal of " dead " or closed accounts and full sheets or cards to the " Closed A/c." division of the file. (5) The handling of " live " or current accounts only. (6) The greater facility with which the monthly Statements may be prepared. (7) Greater facility for auditing.

249. All Ledgers are **Indexed,** the method adopted varying with the extent and character of the business. In small offices an ordinary alphabetical index is used ; in a larger office each letter of the alphabet is treated in **vowel order,** *i.e.*, the names are entered in one of six columns (see appendix), according to the first vowel after the initial letter in the surname. In the largest counting houses the index, in addition to being arranged in vowel order, is classified into the counties or districts in which the debtor and creditors carry on business. In the case of a large book it is often an advantage to have the index made separate instead of being bound into the

book ; or better still to adopt the modern system of **Card Indexing,** where a separate card, slotted into a tray, is used for each name. This system is not only most effective by reason of its handiness and elasticity, but it obviates the great labour involved in re-writing an index.

250. STOCK BOOK. As its name implies this book contains an **inventory** of the **merchant's goods** on hand. There must be two sides, one for goods purchased, and the other for goods sold. It is customary to enter the date of the transactions, and the quantity, class, price and total cost of the goods. The purchases side is particularly useful to the merchant, as it enables him to ascertain, readily, at what price he can sell in order to make a reasonable profit. This book is chiefly useful to the merchant who buys and sells the same kind of goods. The manufacturer who produces goods would have no use for such a book. He would, however, keep a

251. WAREHOUSE BOOK (**W.B.**) which would contain full particulars of the **manufactured articles.** This book presents to the manufacturer in a concise manner his **saleable stock,** and thereby assists him in regulating the output of his production. The goods received into the warehouse would be entered on one side and the goods sent out on the other. The form of the entries must, of course, vary with the nature of the business.

252. WAGES. Contract A/cs. must only be debited with such wages as directly increase the cost of production. Wages paid for tanning hides are **productive,** as the leather is worth more than the raw hides. Wages paid to the stone-mason are productive, as the dressed stone is more valuable than the block just quarried. In such cases the Tanner would debit his Trading A/c. and the Builder his Contract A/c. Wages paid to clerks and book-keepers, however, are not directly productive, and should generally be debited to the P. & L. A/c. as a charge against the entire business. Should a clerk, however, be *exclusively* engaged, say, in keeping the books and acting as cashier on a large contract, then you would debit such contract with his salary.

253. WAGES BOOK. This subsidiary book contains full particulars of each amount paid for wages. At least five columns are required, the first two being for the number and name of the employee, the third for the number of hours worked, the fourth for the rate of payment, and the fifth for the amount paid. Columns 3, 4, and 5 may be repeated on the same folio for as many weeks as the pages will admit of rulings, thereby saving the frequent rewriting of the names. The weekly total is, of course, entered in the Cash Book and from there posted to the Wages A/c. in the Ledger. In the case of a departmental business either a separate W/B., or separate columns would be kept for each department, or a summary would be prepared of the general W/B. and each department debited with its proper share. The contributions payable under the **National Insurance Act** may be entered in the Wages Book by the adoption of suitable rulings similar to the second example below.

SIMPLE WAGES BOOK.

No.	Name.	No. of Hrs	Rte	*July* 20 £ s. d.	No. of Hrs	Rte	*July* 27 £ s. d.	No. of Hrs	Rte	*Aug.* 3 £ s. d.
1	Brown, Chas.	42	2/–	4 4 -	40	2/–	4 - -	35	2/–	3 10 -
2	Day, James	40	2/–	4 - -	38	2/–	3 16 -	40	2/–	4 - -
3	Sykes, Bill	35	1/6	2 12 6	48	1/6	3 12 -	48	1/6	3 12 -
4	Hoyle, John	46	1/6	3 9 -	48	1/6	3 12 -	56	1/6	4 4 -

WAGES and INSURANCE BOOK.

No.	Name.	No. of Hrs	Rte	Full Wages. £ s. d.	Deductions from Wages for Insurance. Health s. d.	Unemployment. s. d.	Net Wages. £ s. d.	Employer's Contribut'ns Health s. d.	Unemployment. s. d.
1	Brown, C.	42	2/–	4 4 -	- 5	- 9	4 2 10	- 5	- 10
2	Day, J. . .	40	2/–	4 - -	- 5	- 9	3 18 10	- 5	- 10

EXAMINATIONS IN BOOK-KEEPING.

254. Book-keeping is one of the subjects specified by the **Universities** of London, Edinburgh, Birmingham, and Manchester in connection with the examinations for the degrees of B.Sc. (Economics), or Bachelor of Commerce; also in the Examination Syllabuses of the followingsocieties:—**The Institute of Chartered Accountants** (*Moorgate Place, London, E.C.*2), **The Society of Incorporated Accountants and Auditors** (50 *Gresham Street, Bank, London, E.C.*2), **Chartered Accountants of Scotland** (*General Examining Board, 23 St. Andrew Square, Edinburgh*), **The Institute of Chartered Accountants in Ireland** (4 *College Green, Dublin*), **The Institute of Municipal Treasurers and Accountants** (Incorporated) (*Town Hall, Kensington, London, W.*), **The Institute of Poor Law Accountants, Ltd.** (134*a Durham Road, Cottenham Park, London, S.W* 20), **The Corporation of Accountants, Ltd.** (55 *West Regent Street, Glasgow*), **The London Association of Accountants, Ltd.** (*Temple Chambers, Temple Avenue, London, E.C.*4), **The Institution of Certified Public Accountants, Ltd.** (*Coventry House, South Place, Finsbury, London, E.C.*2), **The Institute of Cost and Works Accountants,** (38 *Grosvenor Gardens, Victoria, London, S.W.* 1). **The Institute of Bankers** (34, *Clement's Lane, London, E.C.*4), **The Institute of Actuaries** (*Staple Inn Hall, Holborn, London, W.C.*1), **The Chartered Institute of Secretaries** (59*a London Wall, London, E.C.*2), **The Secretaries' Association, Ltd.** (70*a Basinghall Street, London, E.C.*2), **The Surveyors' Institution** (12 *Great George Street, Westminster, London, S.W.*1), **The Auctioneers' Institute of the U.K.** (Incorporated), (34 *Russell Square, London, W.C.*1), **The Incorporated Law Society** (Solicitors' Inter. Exam.) (113 *Chancery Lane, London, W.C.*2), **The Institute of Certificated Grocers** (4 *Cullum Street, London, E.C.*3), **National Association of Local Government Officers** (24 *Bloomsbury Square, London, W.C.*1).

255. This textbook, which contains many **Examination Papers** set by some of the above Societies, covers the whole of the work specified by their respective syllabuses. In addition to the above *special* bodies, at whose examinations only those who are *articled* or otherwise *specially qualified* are permitted to sit, there are the following **public examining bodies,** at whose examinations anyone may sit on payment of the necessary fees (if any) to the Secretary of the local examining centre :—The Royal Society of Arts ; The London Chamber of Commerce ; The National Union of Teachers ; The Lancashire & Cheshire Union of Institutes ; The Union of Educational Institutions ; **The Faculty of Teachers in Commerce** (A. James, 110, *Portland Road, Edgbaston, Birmingham*). The **Central Welsh Board** (*Cardiff*) ; The University of **Oxford** (*Merton Street, Oxford*), held in July ; and The University of **Cambridge** (*Syndicate Buildings, Cambridge*), held in July and December. The **Local Examinations** held by the two Universities, as well as the Examination of the **College of Preceptors** (*Bloomsbury Square, London, W.C.*1), are chiefly patronised by Grammar Schools. The subject of Book-keeping cannot be taken alone, being one of the optional subjects required on taking the Certificate of the College, the exams. being held in June and December. In **Civil Service** (*C.S. Commissioners, Burlington Gardens, London, W.*1) examinations, book-keeping is an optional subject for Second Division Clerkships, and compulsory for Customs' Outport Clerkships, Assistant Surveyor of Taxes, and others ; the examination papers set being amply covered by working to the chapter on Company A/cs.

256. The Royal Society of Arts examinations are held about March and May each year, and the results are announced about August. The **Elementary** or *Stage I.* Examination, for which the entrance fee is 2/6, is an easy test, and is well covered by the first 147 pages of this textbook. An Exercise is set in writing up simple transactions into the Subsidiary books, posting to the Ledger, and extracting a T.B. Questions must be

answered relative to simple business terms and abbreviations, and on the use of business Forms, Invoices, Statements, Bank Notes, Cheques, Bills of Exchange, and Receipts ; Order, Postage, Petty Cash, Cash, Stock, Purchases and Sales Books. To gain a Certificate 50% of the total marks must be obtained. **Intermediate** or *Stage II* is covered by working to Exercise 100 ; and the **Advanced** or *Stage III*, by studying the remainder of the complete book. The entrance fee of 3/6 for the Intermediate Stage, and 4/- for the Advanced Stage must be paid in Feb. or April to the Secretary of the centre where you intend sitting. A copy of the Society's Syllabus is issued in September each year, and may be had from the *Secretary*, 18 *John Street*, *Adelphi*, *London*, *W.C.*2, for 4d., post free. First and Second Class Certificates are awarded ; the minimum percentage of marks required for Stage II being 70 and 40 respectively ; and for Stage III 75 and 50 respectively.

257. The Examination Paper of **Stage II** of the **R.S.A.** (of which Exercises 49 to 69*h* are examples) is divided into two sections : Questions and Exercises. Candidates may answer *one* question, but not both. Both exercises are required of all candidates, who must be prepared to answer questions as to the meaning of mercantile terms, and as to the nature and use of the books of account usually kept by mercantile or manufacturing enterprises, including Limited Companies ; and to work exercises upon the principle of double entry, involving the use of Subsidiary Books, and the preparation of Trading, P. & L. A/cs., and B/S. Specially **ruled paper** is supplied, the pages having printed headings and allocated as follows :—(1) Answer to Question ; (2) Sales Book ; (3) Cash Book, two pages ; (4) Purchases Book ; (5) Journal ; (6) Ledger A/cs., each headed " Dr." and " Cr." and numbered up to 28 ; (7) Trial Balance ; (8) Trading and Profit & Loss A/cs. for Ex. 2 ; (9) Balance Sheet for Ex. 2.

258. All the exam. papers set for **Stage III** of **R.S.A.** will be found among the papers at the end of the exercises. The **Advanced** syllabus states that candidates

must be prepared to work an exercise and also *answer questions* (not work exercises) upon :—(1) The uses, forms, and rulings of the books employed in different enterprises, whether wholesale or retail, merchant, manufacturing or financial ; and whether governed by private trading agreements, by the Companies' Acts, or by special Acts of Parliament. (2) The statistical books and registers of limited and other companies—their rulings, uses and methods of keeping. (3) The methods of keeping and presenting A/cs. (including branch and departmental a/cs.) of private partnerships (including the adjustment of accounts as between partners) and public companies however constituted including the columnar or tabular system and the sectional system of self-balancing ledgers. (4) Foreign currencies and their record in books of a/c. (5) Income Tax.

259. Adequate and excellent **Keys** to **Stages 1, 2** and **3** of the Examination Papers of the Royal Society of Arts, may be had from *Mr. Arthur Fieldhouse*, 66 *Trinity Street, Huddersfield. Yorks.* at **1/1 each,** post free, for cash with order only. These models should be studied by every candidate.

260. As will be seen from the exam. papers given at the end of the exercises the subjects of **Accounting** and **Banking,** which are Stage III subjects of the R.S.A., are practically covered by a careful study of the *whole* of this textbook, and should not be taken until Book-keeping has been thoroughly mastered.

261. The London Chamber of Commerce examinations are held four times a year, the principal one about May, the results being announced about the end of July. They are divided into *Junior* and *Senior*, the entrance fees being respectively 2/6 and 5/-. The *Junior* examination is equivalent to Stage II of the Royal Society of Arts, and is therefore covered by working to Exercise 100 of this textbook. The *Senior* is equivalent to Stage III of the Society of Arts, and requires a careful study of the whole book. The L.C.C. also hold exams. for Teachers' Diplomas, the same papers being set as for the *Senior* with additional questions for those desirous of taking the diploma. Candidates are

required to answer both the ordinary and additional questions, and obtain a higher percentage of marks for a " Pass " or for " Distinction " than is expected for the Senior Certificate. A copy of the Syllabus, issued in October, may be had from the *Secretary*, 1 *Oxford Court, Cannon Street, London, E.C.*4, at 4d. post free. **Adequate Keys** to **L.C.C.** Junior and Senior Exam. Papers for *May* only may be had from *Mr. Arthur Fieldhouse*, 66 *Trinity Street, Huddersfield, Yorks.*, for *cash* only at **1/1 each,** post free.

262. The exams. held by the **National Union of Teachers** in March or April, cover the usual three stages, the entrance fees for London and the Provinces being respectively 3/- and 2/- Elementary; 3/6 and 2/6 Intermediate or Advanced. External candidates, not entered by a school, pay a fee of 4/- in London and 3/- in the Provinces. The Syllabus may be obtained from the *Secretary, Hamilton House, Mabledon Place, Euston Road, London, W.C.*1, for 3d. post free.

263. The Lancashire & Cheshire Union of Institutes also holds examinations every March in all the three Stages, every item in the Syllabus being covered by this book. The entrance fee is 10d. in respect of students of the affiliated institutes: for external students 2/6. A Syllabus may be obtained (post free 9d.) from the *Secretary*, 33 *Blackfriars Street, Manchester.* The results are generally announced about the end of June. The marks on the Examination Papers are apportioned as follows: *Junior:* theory 15, practical a/cs. 85. *Senior:* theory 25, practical a/cs. 75.

264. The **Union** of **Educational Institutions** holds an examination in the Elementary and Intermediate Stages, in March or April each year, the fee being 1/- for internal and 1/6 for external candidates, payable the last week in February. First-class certificates are awarded to those securing 75% of marks, and a second-class for 50 marks and upwards. A Syllabus may be obtained from the Secretary, *Mr. A. P. Dent*, 174, *Corporation Street, Birmingham*, at 1/3 post free. The **East Midland Educational Union** holds examinations in all the three stages in Spring. Syllabus from the

Secretary, 52 *Shakespeare Street, Nottingham*, at 1/- post free.

265. Success at the **Examination** depends upon knowledge, accuracy, dexterity, and style. Reliable **knowledge** is only to be acquired by *methodical* and painstaking work, which alone can result in obtaining a *real grasp* of the principles and practice of accounts. The work done at a class which meets but once a week is insufficient to ensure a trustworthy acquaintance with the subject unless it is supplemented by considerable **homework.** Between the class meetings, in addition to preparing exercises, carefully study those portions of the textbook under review, and, upon matters not thoroughly understood, write out questions for the teacher to answer at the following class. Practice answering questions *in writing*, as this cultivates precision, and impresses the mind more thoroughly than mere verbal answers.

266. Accuracy is only attainable by undivided attention, by concentration of mind upon the particular work in hand. Inaccuracies often arise through general slovenliness, bad figuring, and the desire to work too rapidly, the result being a waste of both time and energy. Many failures are attributable to arithmetical errors alone. While it is possible for the most precise book-keeper to make a mistake it is a well-known fact that those who are in the *habit* of committing errors are those who allow their minds to wander and their attention to be diverted to matters which do not concern the duty of the moment. Concentration and carefulness must be cultivated when dealing with figures and problems in accounts if accuracy is to be secured.

267. Dexterity in the manipulation of exercises and examination papers can only be achieved by *methodical* and *persistent practice*. Fitful work is of little avail; excellent methods at least double one's capacity for dispatching work. Mere reading of the textbook is useless of itself in the solution of practical problems. It is possible to have a profound knowledge of the mechanism of a typewriter, and yet, by reason of not having

operated the machine, be quite unable to type even a short letter. Book-keeping is not only a science—systematised knowledge, it is also an art—skill in using knowledge ; and skill in accounts may only be acquired by *methodical and assiduous practice*. No student should enter himself for an examination unless he has worked numerous exercises in general Book-keeping, familarising himself with recording all kinds of transactions, plus at least 5 (preferably 25) examination papers set by the particular examining body whose examination he is taking. This practice will enable the student to gauge the time necessary to devote to each part of the test paper when in the examination room.

268. Style is the topstone of excellence, the hall-mark of the superior worker. Although the foundation may be well and truly laid it must not be forgotten that it is the elegant superstructure which reveals the master mind ; the delicate hand of the artist, who considers no detail too trivial to receive his concentrated attention. Without the inspiration of excellence there can be no real satisfaction and success. The desire to dispose of a great number of exercises must not be allowed to interfere with stylish work , *quality* always being more important than quantity. No subject lends itself more to the exercise of style, arrangement, display, and neatness, than Book-keeping. The various methods of setting out transactions in the books, as well as in the preparation of Trading and Profit & Loss A/cs. and B/S. should be carefully studied. A copy of one of the ample keys to the exam. papers of the Royal Society of Arts, or the London Chamber of Commerce at 1/1 post free, by *Mr. Arthur Fieldhouse*, 66, *Trinity Street, Huddersfield, Yorks.*, is a useful guide as to setting and style.

269. Never **proceed** to an **examination** without first having seen at least one previous paper and mastered the **Instructions to Candidates.** Non-compliance with instructions has caused hundreds to fail who might otherwise have succeeded. Immediately on receipt of the examination paper carefully read through the

"Instructions" to see whether there has been any alteration from those of previous years. At most examinations **specially ruled paper** and blotting paper are supplied to each candidate, and the time allowed for the working of the paper is usually three hours. **Do not** read through the *whole* of the paper at the beginning, as this is liable to lead to mental confusion, and sometimes to dismay. Avoid reading any *optional* questions, and at once commence answering one which is *compulsory*. Let your answers be clear, concise, and set out in style, following the order of the questions. Most papers consist of questions and exercises, the latter being always compulsory. **Read through** *each* exercise or question before commencing its solution, and if necessary read it several times in order to *grasp* thoroughly its precise meaning. Always work the easier exercise first, and thus make sure of a "pass." In the Royal Society of Arts, Stage II., exercise 2 should be disposed of at once, as its successful working affords some degree of confidence in the remainder of the work.

270. Most examiners now require **practical** expositions in preference to the antiquated method of journalising every transaction. The **Journal** should only be used for recording transactions *outside* the scope of the other subsidiary books. In Stage II of the Society of Arts, Exercise 1 should always be worked so as to display a knowledge of **modern business methods,** and the greatest practical skill in the setting out of the various transactions in their proper **subsidiary books.** Whenever possible the **columnar** or **tabular** system of Bookkeeping should be employed, even where there is only one item for each column. The exercise must be worked as though the candidate were actually engaged entering up the various books at the office desk; separate accounts being kept for **stock, purchases, sales, returns inwards, returns outwards,** carriage, wages, salaries, discount, interest, insurance, rates and taxes, stationery, partners' drawings, &c., *no* Goods or P. & L. A/c. being opened. Trial Balances should be composed of *balances* in preference to totals.

271. In **preparing Trading** and **Profit & Loss A/cs.,** care must be taken to distinguish between the items which should appear in each ; while the classification or grouping of the items, both in the accounts and in the B/S. must receive attention. A mere list of Profit and Loss items and Assets and Liabilities is not sufficient ; they should be displayed and grouped in a businesslike manner, and for this purpose the **sheets** sold by the **author** (*P.O. Box A.* 27, *Huddersfield*) of this textbook, at 1/1 per set, will be found very helpful. Remember that a P. & L. A/c. is compiled for a given *period* ; while a B/S. is a schedule of balances on a certain *date.* Study pages 272 to 282. When the exercise is in the form of a T.B. first of all check the casting and when not in such form prepare a T.B., as it facilitates the work. Should a **doubtful point** arise deal with it in some way, and address an explanatory **footnote** to the examiner. Intelligence is always appreciated.

272. While one is familiar with the ordinary **Trial Balance,** followed or preceded by the usual adjustment items and stock, the candidate must nevertheless be on the alert against unusual methods of stating facts. Sometimes the **Final Stock** is given as a **Dr. Balance,** having first been deducted from the Purchases, which are stated *net* ; for instance, the Purchases may have totalled to £5000, and the Final Stock may be £600. In the Trial Balance these facts may be stated as *Purchases* £4400, *Stock* £600, the result being that in preparing the Trading A/c. care must be taken to *add the value of the Final Stock to the Purchases.*

Under **Credit Balances** in the T.B. there may be *Trading A/c.* £2160, thereby indicating that the Trading A/c. has been completed, showing on the *Dr. side,* opening Stock and Purchases (less returns), and on the *Cr. side,* Sales (less returns) and Final Stock. The *Credit balance* of the Trading A/c. would, of course, require crediting to the P. & L. A/c., but the *final* Stock already having been credited, must only appear in the B/S.

Dr. **Trading A/c.** **Cr.**

1914		£	1914		£
Jan. 1	To Stock b/f.	2000	Dec.31	By Sales	6000
Dec.31	,, Purchases	5000	,, ,,	,, STOCK c/f.	3160
,, ,,	,, *BALANCE carried to P. & L. A/c.*	2160			
		£ 9160			£ 9160

273. Occasionally, the **Bad Debts** are stated among the adjustment entries, instead of being included in the T.B., and when this is the case it is clear that the amount of the Bad Debts has not been credited to the Sundry Debtors, consequently the Bad Debts not only require debiting to the P. & L. A/c., but must also be *deducted* from the total of Sundry Debtors.

274. Be at your place in the **examination room** at least ten minutes before the time, so as to hear the regulations read, and fill up the necessary form containing name, age, institution, &c. To rush into the room on the stroke of time interferes with that self-possession and calmness which is so necessary to success. **Red ink** should be used for ruling off totals, when time permits, but certainly not until the exercises have been completed. Should you have a few minutes to spare spend it in **revising** your work, as a medal or prize may depend upon some little improvement effected in that way.

275. Criticism of examination papers and of the peculiarities of examiners should be addressed to the examiners concerned, if at all, and not to the author of this work, who *cannot* reply to communications relative to the composition of papers over which he has no control. Copies of R.S.A. or L.C.C. Exam. Papers are 7d. each, post free.

Exercise 53. (*Royal Society of Arts*, 1898.)

A. Give a list of the books required for keeping the accounts of a Merchant's business and briefly describe the use of one of them.

B. Explain what is meant by :—Personal A/c., Impersonal A/c., Reconciliation Statement, Suspense A/c.

C. Messrs. Black & White are partners upon the following terms :—(1) To receive 5% int. upon their respective Partnership Cap., with yearly rests. (2) To receive as partnership salaries : Black, £50 per month ; White, £20 per month ; and to withdraw no further sums pending ascertainment of profits. (3) Depreciation at 10% to be written off Plant and Machinery as standing in the books at the end of the year. (4) Provision at 5% (for doubtful debts) to be reserved upon all Book Debts, excepting B R. (5) The net Profit or Loss to be shared thus :—Black, two-thirds ; White, one-third. On 30th Nov., 1897, the following was the Trial Balance :—

Dr. Balances—		**Dr. Balances** continued—	
Black's Salary A/c.	£550	Office Expenses	£108
White's Salary A/c.	220	Discount	214
Purchases	25462	Stock (1st Jan., 1897)	3842
Investments(Consols at Cost)	1230	Rent (11 months)	660
Wages	3841		
John Jones & Son	3426	**Cr. Balances**—	
Jas. Smith & Co.	7139	Alb. Black (Cap. A/c. as on 1st Jan., 1897)	4200
William Owen	3636	Benj. White, ditto	1500
Legal Expenses	14	Dividends on Consols recd.	30
Cash	10	Bills payable	3815
Bank	1205	Sales	48561
Freehold Property	20641	Roberts Bros.	8243
Machinery & Plant	5440	Robinson & Co.	5768
Bills Receivable	502	J. Green & Son	6968
Managers' & Clerks' Salaries	945		

Open the A cs. necessary to record the above particulars in the books and post the undermentioned transactions. (*Key next page.*)

Dec. 2.	Purchased from Roberts Bros., on credit	£7841
„ 8.	Paid Rates	141
„ 9.	Pd. Robinson & Co. (after deducting dis. £12)	240
„ 10.	Paid Bill No. 48	100
„ 11.	Recd. from J. Smith & Co. (less dis. £42)	948
	Sold W. Owen (on credit)	1000
„ 15.	Purchased from J. Green & Sons (on credit)	3421
„ 16.	Bought gas engine from London Gas Engine Co. (on credit)	350
„ 17.	Paid Wages, £442, (Dec. 21) Paid taxes	21
„ 24.	Paid premiums on fire policy for year ending 25th December, 1898 (182)	105
„ 30.	Received for sale of consols	1200
„ 31.	Paid official salaries	360
	Paid office expenses £20, Paid wages	440
	Sold James Smith & Co., (on credit)	1049

All the above payments were made by cheque, and all amounts received were paid into the bank upon receipt. The stock on 31st Dec., 1897, was worth £3400. The outstanding rent owing to Benjamin & Lewis for Dec. (£60), and the partners' drawings for the same month (under clause 2), must be provided for. After making adjustments provided for under the clauses of the partnership deed set out above, bal. books and prepare T.B. Make closing entries raising a Trading and P. & L. A/c. Divide Net profits between partners (under clause 5), and prepare B/S.

(Ex. 53.) **Trading A/c.**

Dr. For Year ended 31st December, 1897. **Cr.**

	£		£
To Stock, 1st January, 1897..	3842	By Sales.....	50610
„ Purchases	36724	„ *Stock, 31st December*	3400
„ Wages	4723		
„ *Gross Profit*	8721		
	£54010		£54010

Profit & Loss A/c.

Dr. For Year ended 31st December, 1897. **Cr.**

	£		£
To Rent	720	By Gross Profit from Trading A/c.....	8721
„ Rates and Taxes	162	„ Discount received	12
„ Office Expenses	128		
„ Insurance.....	2		
„ Legal Expenses.....	14		
„ Discount allowed	256		
„ Salaries	1305		
„ Partners' Salaries	840		
„ Depreciation	579		
„ Reserve for Doubtful Debts	763		
„ Interest on Capital.....	285		
„ *Balance c/d.*	3679		
	£8733		£8733
To Loss on Consols	30	By Balance b/d.	3679
„ *Net Profit for year* :—		„ Dividend	30
A. Black, ⅜rds. £2452 13 4			
B. White, ⅛rd. 1226 6 8			
	3679		
	£3709		£3709

Balance Sheet of Black & White, on 31st December, 1897.

Liabilities.	£	£	Assets.	£	£
SUNDRY CREDITORS :—			Cash in hand	10	
On Bills Payable		3715	Cash in Bank	1484	
On Open Accounts :—					1494
Roberts Bros. £16084			Sundry Debtors :—		
Robinson & Co. ... 5516			On Bills Receivable		502
J. Green & Son ... 10389			On Open A/cs. :—		
London Gas Eng. Co. 350			J. Jones & Son	3426	
Benjamin & Lewis 60			J. Smith & Co.....	7198	
	32399		Wm. Owen	4636	
A. Black, Salary A/c. 50				15260	
B. White, Salary A/c. 20			*Less* Reserve for Doubtful Debts	763	
	70				14497
CAPITAL :—			Stock		3400
A. Black, 1st Dec. £4200 — —			Machinery & Plant ...	5790	
Add Int. on Cap. 210 — —			*Less* Depreciation ..	579	
Add ⅜rds of Profits 2452 13 4					5211
6862 13 4			Freehold Property		20641
		9664	Fire Insurance prepaid		103
B. White, 1st Dec. 1500 — —					
Add Int. on Cap. 75 — —					
Add ⅛rd of Profits 1226 6 8					
2801 6 8					
	£45848				£45848

Exercise 54. (*Royal Society of Arts*, 1899.)

✓ **Q. 1.** What position does the cash-book take in a set of merchant's books based upon "double entry"? Of what use can it be made in addition to the simple recording of cash received and cash paid, and to what book or books should the items in a cash-book be posted? ✓**Q. 2.** What is the difference between a "Bill Receivable" and a "Bill Payable"? Is there any difference in form; if so, what? By whom is a B/P. to be paid, the drawer or the acceptor?

✓ **Ex. 1.** Record the following transactions in Peter Brown's books, and extract a T.B. of balances as on Feb. 12, 1899:—

Jan. 1. Peter Brown opened a Bank a/c. by paying in cash £5000, and on the same day purchased from the Liquidator of the Blast Furnace Co., Ltd., (in liquidation) the Freehold land and buildings (£2000), Plant and Machinery (£1500) and Loose Tools and Stock (£1000) of the Company—together £4500, which he pd. by cheque upon the above a/c.

,, 2. Bought from Richd. Jones, 500 tons of Northamptonshire Iron Ore @ 8/- a ton delivered. Terms:—one month's credit and 2½% dis. for cash.

,, 3. Bought from R. Jones, 300 tons of South Yorkshire Coke @ 10/- per ton at the pit mouth. Terms:—net, 4 mos. Bill, which Brown accepted. Carriage £5.

,, 3. Paid Wages, £25.

,, 4. Sold Robert Black 100 tons of No. 3 Foundry Iron @ 45/- a ton at the works, and 24 tons of No. 1 @ 50/- a ton, to be paid for on the 10th of the following month, with a cash discount of 1¼%. Carr. paid on £10.

,, 4. Drew a cheque for cash purposes for £25.

,, 5. Sold R. Black 52 tons 10 cwts. No. 4 Forge Pig Iron @ 40/- per ton at the works, and 10 tons of Silvery Iron at 30/- a ton. Terms Cash, 10th of the following month with 2½% dis. Carr. paid on £10.

,, 6. Recd. from R. Black 20 tons of No. 3 Foundry Iron, sold on the 4th inst., not being equal to sample. Carr. £1.

,, 10. Paid Wages, £100.

,, 31. Paid Sundry Office Exs., cash £10. Paid Salaries £25.

Feb. 1. Paid Carriage A/c. £19. Feb. 2. Paid R. Jones, £195.

,, 10. Recd. from R. Black £246, and on February 12, £127.

,, 12. Drew for private purposes £45. (*Total Balances*, £5585.)

All payments (unless otherwise stated) made by cheque and all moneys recd. paid into bank. "Wages," "Salaries," and "Office Exs." are to be posted to the same a/c., viz., "Trade Charges."

Ex. 2. Prepare Trading, P/L. A/cs., and B/S. from the following T.B. of Geo. Green and Jas. Gold's books taken 31st Dec., 1898. Profits are divided equally. The **stock** in hand on

31st Dec., 1898, was £3000. You have to provide for 10% depreciation upon the plant, and reserve 5% provision upon the outstanding A/cs. for Doubtful Debts. Credit partners with 5% int. upon cap.

Dr. Balances—	
Green's Withdrawals (including interest)	£525
Gold's do.	465
Purchases	17778
Investments	750
Wages A/c.	1278
Sundry Debtors	8220
Rent A/c.	520
Law Charges	75
Cash	40
Bank	430
Freehold Property	8000

Dr. Balances continued—	
Plant	£3240
Salaries	864
Office Exs.	223
Repairs	310
Discounts	824
Cr. Balances—	
Sundry Creditors	2300
Green's Cap. 1st Jan.	9240
Gold's Cap. 1st Jan.	8160
Dividends A/c.	22
Sales	23820

Answer.—*Gross Profit* £7764 ; *Net Profit* £3365 ; *Bal. of Green's Cap.*, £10,859 10 –, *Gold's Cap.* £9785 10 –, *Total B/S.* £22,945.

Exercise 55. (*Royal Society of Arts*, 1900.)

Q. 1.—Explain the terms "Balance down," "Trial Balance" and "Balance Sheet." What is the chief difference between the last two ? Do the words "Balance down," closing the debit side of an a/c. mean that the a/c. is in debit or in credit ?

Q. 2. What books should you recommend a shopkeeper, doing a cash business only, to keep ? What difference would it make in your recommendation should he decide to sell upon credit ?

Ex. 1. John Smith commenced business as a Colonial merchant on 1st Jan., 1900. Pass the necessary entries through the proper books to the ledger and extract a T.B. Unless otherwise stated, all moneys received and paid were passed through the bank.

Jan. 1. Opened an account with bankers by paying in £2000. Purchased office furniture and stationery for £110.

,, 2. Purchased from Paul & Co., commission agents, 2 gross boxes of pens @ 10/- per doz. boxes net ; 3 cases of 100 each, cycle lamps @ £12 per doz. (trade dis. 25%) ; and 12 gross electro-plated table spoons @ 60/- per doz. (less trade dis. 50%).

Gave Paul & Co. a 3 mos. bill for the amount of the inv.

Consigned the whole purchase to his agent in Canada, paying shipping chgs. £8 2 6, and marine insce. £3 5 6.

,, 4. Drew cheq. for petty cash, £10, and opened P.C.B.

,, 5. Made the following cash sales of goods recd. on consignment from Black & Co., of Ceylon, viz. :—20 chests of Tea @ £4 15 6 a chest ; 30 packages of coffee @ 60/- a package ; and 10 bags of Cocoa @ 30/- a bag. Recd. and banked the cash. Deducting 1% comm., sent Black & Co., cheq. for bal.

,, 8. Drew cheq. for private purposes, £50.

,, 12. Paid sundry trade exs., £4 8 0 from P.C.

Jan. 16. Paid other Trade Charges £25.
.. 20. Bought for cash at auction a stock of cycles for £200.
.. 22. Sold Paul & Co. 10 cycles at £6 ea., with 1 mo.'s credit.
.. 23. Sold Paul & Co., 12 cycles @ £6 ea., with 5% cash dis. Recd. net cash.
.. 29. Recd. cash (by cable) from his Canadian agt. £490, being proceeds of the sales of the cycle lamps and spoons, consigned on 2nd inst. (pens unsold), less £10 his comm.
,, 31. Paid from P.C., month's salaries (trade charges) £4. (*Total Balances*, £3065 12 –:)

Ex. 2. Joseph Jones & Bruce Brown are partners in a manufacturing business. They share profits and losses equally, and have agreed that 5% int. shall be credited upon their respective cap. from profits prior to division thereof. Plant a/c. is to be depreciated by 10% per annum and a provision of 5% created for bad and doubtful debts. On 31st Dec., 1899, **stock** was valued (at cost) £4000. Make the necessary closing entries, and raise Trading, P L. a cs. and B/S., the partner's cap. a/cs. being shown in detail in the B/S.

Dr. Balances—		**Dr. Balances** continued—	
Stock	£3800	Jones' Drawings (including int.)	£832
Purchases	12850	Brown's ,,	500
Sundry Debtors	14840	Bank	945
Trade Expenses	475	Cash	10
Office Expenses	95		
Plant	1050	**Cr. Balances**—	
Discounts	120	Jones' Cap. A/c. 1st Jan.	8000
Salaries	473	Brown's Cap. do.	2000
Rents, Rates and Taxes	382	Res. for Doubtful Debts	450
Buildings	5250	Sundry Creditors	10950
Repairs	98	Sales	22800
Wages	2480		

Answer.—*Gross Profit* £7670, *Net Profit* £5130, *Bal. of Jones' Cap.* £10133, *Brown's Cap.* £4165, *Total of B/S.* £25248.

Exercise 56. (*Royal Society of Arts*, 1901.)

Q. 1. Explain the terms "Royalty," "Dormant Partner," "Lien," "Set off," and "Crossed Cheque." **Q. 2.** Rule a page of the Petty Cash Book suitable for a Firm whose business is divided into three Departments. Wages, Carriage, Postages, and Sundry Petty Expenses are all paid by them out of P.C.

Ex. 1. Thomas Flint bought, on 1st Jan., 1901, from the trustees of Samuel Crystal, a bankrupt, his business as haberdasher and silk mercer, paying him immediately £400 for the stock, and £50 16 6 for furniture and fixtures (taken at a valuation) and nothing for goodwill, while the trustee kept and collected the book debts. Flint brought into the concern, as working capital, £549 3 6. He opened the usual set of books, using his Cash Book for recording all receipts and payments which were through his Bankers; while he kept a Petty Cash Book recording the payments of wages and sundry exs. connected with the carrying on of his business. Pass the above and the

following transactions through the proper books to the Ledger, and extract a T.B. as on 31st Jan.

Jan. 1. Drew and cashed Cheque for Petty Cash £10.
,, 3. Bought of Abel Smith 455 yds. velvet @ 9s. 6d. a yd., and 996 yds. black silk @ 5s. 3d. a yd. Accepted Smith's Bill at 6 mos. for the amt. of the Invoice plus int. @ 5% per ann. for the accommodation.
,, 4. Bought 6 seats for his girl assistants @ 10s. each, and a new counter costing £27, and paid for same net.
,, 6. Bought of Adam Jones 9 pieces, of 64 yds. each, Irish Linen @ 2s. 2d. a yd. ; 2½% cash dis. being allowed for payment within 14 days.
,, 7. Paid his Accountant £24 3s. 6d. for examining the books of S. Crystal, and negotiating purchase with Trustee.
,, 8. Recd. from his principal assistant, Obsequious Mute, £50, as a loan at 5% per ann. int., plus 7½% of the profits.
,, 10. Sold Mrs. White 16 yds. velvet @ 12s. 6d. per yd. ; 33 yds. Irish Linen @ 2s. 6d. a yard ; 2 Victoria felt underskirts @ 10s. 6d. each ; 12 yds. black silk @ 6s. 6d. a yd. ; and 6 yds. purple silk @ 9d. a yd. The total purchase was to be paid for not later than 6th Feb. ; 5% per ann. being charged on overdue a/cs., while 1¼% dis. was to be allowed if paid within 7 days.
,, 11. Pd. his lawyer for exs. connected with purchase of the business £10 6s. 8d.
,, 12. Pd. from Petty Cash, postage on circulars £3, and sundry shop exs. £2 12s. 6d.
,, 13. Recd. from Mrs. White payment of goods inv'ced 10th.
,, 16. Pd. Adam Jones as per invoice of the 6th inst.
,, 22. Sold Mrs. White (for a friend) a repeat order of the 10th inst., but for half the quantity of each item, and upon the same terms.
,, 22. Sold Mrs. White (for another friend) a repeat order as to qualities and prices of the 10th, but the goods being soiled or imperfect, a trade dis. of 15% was allowed.
,, 31. Drew and cashed cheque for wages for the month £20 3s. 9d. Drew cheque £20 (as against profits) for private purposes. Recd. for the month (as per Till book) £103 12s. 6d., being Cash Sales. (*Total Balances*, £1690 0s. 11d.)

Ex. 2. Rd. Red. and Wm. White entered into partnership on 1st Jan., 1900. It was agreed that int. on Partnership Cap. at 5% per ann. should be a charge upon profits prior to division ; that Plant should be depreciated by 10% per ann., and a provision of 5% made from Sundry Debtors as against Doubtful Debts. Profits or Losses were to be shared thus : R. Red. ⅔ and W. White ⅓. Value of **stock** £5200. Prepare Trading A/c., P/L. A/c., and B/S., apportioning the profits and showing the Partners' Cap. A/cs. in detail in the B/S. on 31st Dec., 1900.

Dr. Balances—	
Repairs	£104
Purchases	6920
White's Drawings A/c.	500
Red's do.	800
Law Costs	27
Audit Fees	25
Stock	3800
Insurance	32
Bad Debts	78
Salaries	500
Office Expenses	30
Commission	41
Carriage	121
Goodwill	3000
Dr. Balances continued—	
Wages	£2140
Interest on Loan	250
Cash	12
Bank	860
Rent, Rates & Taxes	356
Plant	4200
Sundry Debtors	8000
Cr. Balances—	
Red's Cap., January 1	5000
White's Cap., Do.	1200
Sundry Creditors	5564
Sales	15000
Discount	32
Loan	5000

Answer.—*Gross Profit* £7219 ; *Net Profit* £4678 ; *Balance of Cap. : R. Red* £7568 13 4, *W. White* £2319 6 8, *Total B/S.* £20452.

Exercise 57. (*Royal Society of Arts*, 1902.)

Q. 1. What is meant by a "Reconciliation Statement"? Give an example, showing your meaning fully. **Q. 2.** What is the nature and use of the "Journal," and in what way has the former use of it in a merchant's office been superseded by modern practice?

Ex. 1. Wm. Smith, Cigar Merchant, on Jan. 1, 1902, had the following *assets* :—Cash at Bank £179 13 4, Jas. Jones £24 16, Ben Brown £57 8 10 (both debtors for goods) and Stock £240. *Liability* :—Robert Robinson (creditor for goods) £101 18 2, Jas. Jones had been adjudicated a bankrupt, and his debt was estimated to realise 10s. in the £. Open a/cs. in Smith's Ledger showing his position as on Jan. 1, pass transactions through the necessary books to the Ledger ; take out T.B. as on 31st Jan. *All receipts and payments through the Bank.*

Jan. 1. Received B. Brown's cheque in settlement of his a/c.
,, 3. Bought from Robert Robinson 5000 cigars at 22s. 6d. a 100, less 5% for cash in 7 days.
,, 4. Sold R. Robinson 3500 cigars at 21s. a 100 net. Gave him cheque in settlement of his a/c.
,, 5. Received from James Jones' Trustee in Bankruptcy a first and final dividend of 5s. in the £.
,, 10. Sold B. Brown 3000 cigars at 18s. 6d. a 100. Terms :—Cash, less 2½% in 7 days.
,, 13. Recd. Loan of £200 from Arthur Lender, and gave him in exchange a P/N. at 6 mos. for £205.
,, 14. B. Brown returned 1000 cigars sold him on the 10th inst., as they were not in good condition.
,, 16. Recd. from B. Brown, a cheq. in settlement of his a/c.
,, 20. Paid a/c. for office stationery, £10 3s. 6d.
,, 25. Drew cheque for private purposes £20.
,, 31. Paid office salaries £25. (*Total Balances*, £672 6 3.)

Ex. 2. Baden Brown and Jonas Jones are in partnership under the style of "Brown, Jones & Co." They represent several Berlin manufacturers and sell their goods on commission. All sales are

made from samples and they keep *no stock*. Prior to division of profits which are shared equally, the following adjustments have to be made :—(*a*) Each partner is entitled to 5% per ann. int. upon his cap. (*b*) Depreciation at 10% per ann. has to be written off the Furniture & Fittings A/c. (*c*) An instalment of £100 per ann. has to be written off the Premium on Lease A/c. (*d*) Provision at the rate of 5% has to be reserved for doubtful debts.

Prepare Trading A/c., P/L. A/c. and B/S. on 31st Dec., 1901.

Dr. Balances—		**Dr. Balances** continued—	
Salaries	£880	Bank	£1854
Packer's Wages	438	Cash	16
Rent, Rates and Taxes	628	Brown's Drawings	1250
Commission allowed	371	Jones' Drawings	850
Discounts	16	Premium on Lease	800
Trade Exs.	308	Furniture and Fittings	550
Travelling Exs.	317		
Law Charges	29	**Cr. Balances**—	
Bad Debts	184	Brown's Cap., 1st Jan.	1500
Sundry Debtors	700	Jones' Cap., 1st Jan.	500
Insurance	19	Commission earned	6842
Office Exs.	64	Sundry Creditors	432

Answer.—*Net Profit*, £3298 ; *Bal. of Cap., Brown*, £1974 ; *Jones*, £1324 ; *Total of B/S.*, £3730.

Exercise 58. (*Royal Society of Arts*, 1903.)

Q. 1. Explain these terms in connection with cheques "endorsed," "dishonoured," "not negotiable," "refer to drawer," "forged."

Q. 2. Sketch rulings for a "Purchases Book," suitable for a wholesale provision merchant, and explain its advantages.

Ex. 1. John Barleycorn purchased the Holly Tree Inn freehold premises, together with furniture, fittings, wines and spirits, provisions, &c., therein, and commenced business on Dec. 1, 1902, as Hotel Proprietor. His capital consisted of £8000 at the Town Bank, Ltd. Pass transactions through proper books to Ledger ; balance ; bring down balances and make T.B. *All receipts and payments through the Bank, except where stated otherwise.*

Dec. 1. Executed conveyance of the freehold property, for which he paid £4000.
Drew and cashed cheque (for petty cash) £50.
,, 3. Paid £950 for furniture and fittings, £600 for stock of wines and spirits, and £80 for stock of provisions as per agreed valuation.
,, 4. Bought provisions from James Bacon (on credit) for £121 5s.
,, 5. Bought groceries for £3 9s. 6d. (petty cash).
,, 8. Bot. cigars from John Wilkinson (on credit) for £48 10s. Paid servants' wages £10 10s. 6d. (petty cash).
,, 10. Banked £29 1s. 6d. received from visitors, and £38 1s. 9d. Bar and Billiard Room Receipts.
,, 15. Paid servants' wages, £10 10s. 6d. (petty cash).
,, 17. Sent J. Bacon cheque in settlement of a/c., less 5% dis. allowed. Banked £41 8s. 4d. recd. from visitors, and £49 10s. from Bar and Billiard Room.

Dec. 18. Paid Poor Rate £12 8s.
,, 19. Changed a visitor's £10 cheq. and pd. same into Bank.
,, 22. Bot. on credit two carpets of Turkey & Co. for £24.
Paid servants' wages £10 10s. 6d. (petty cash).
,, 23. Gave J. Wilkinson cheque in settlement, less 10% dis.
Drew and cashed cheque (for petty cash) £25.
Withdrew £25 from Bank for private purposes.
Distributed £10 (petty cash) as Christmas Boxes.
,, 24. Banked £63 2s. 8d. rec. from visitors, and £65 2s. 6d. from Bar and Billiard Room.
Bought from Phiz & Co., a case of 3 doz. champagne at 70s. per doz. (on credit).
Sold on credit wines & cigars to Geo. Ash for £10 10s.
,, 29 Paid servants' wages £10 10s. 6d. (petty cash).
,, 30. Recd. cheq. from G. Ash, in settlement, less 5% dis.
,, 31. Banked £45 3s. rec. from visitors, and £70 4s. 2d. from Bar and Billiard Room.
Returned one carpet (£10) to Turkey & Co., not in order.
Paid manager's salary, £10. (*Total Balances*, £8437 2s. 2d.)

Ex. 2. Messrs. Seth Serge and Chas. Cheviot are in partnership as cloth manufacturers. Profits and losses are to be shared equally. The profits of the business, prior to division, are subject to the following adjustments :—(1) Interest on partners' capital at 5% per ann. (2) Annual depreciation on machinery and plant at 10%, and on fixtures and fittings at 5%. (3) Provision for bad and doubtful debts at 5%. (4) Provision for a half-year's int. on mortgage at 5% per ann. to Dec. 31. (5) 10% of the net profit (if any) to be carried to the Reserve Fund. **Stock** on Dec. 31, 1902, agreed at £29,450. Prepare Trading A/c., P/L. A/c. and B/S.

Dr. Balances—		**Dr. Balances** continued—	
Machinery and Plant	£12000	Interest on Mortgage	£225
Freehold Premises	26200	Serge's Drawings, with Int.	3535
Fixtures and Fittings	7200	Cheviot's do.	2965
Wages	15860	Sundry Debtors	17020
Purchases	62077	**Cr. Balances**—	
Cash	940	Serge's Cap., 1st Jan.	20000
Stock (1st Jan., 1902)	21820	Cheviot's Cap., do.	18000
Salaries	1100	Sundry Creditors	27600
Carriage	2132	B/P.	4800
Rates and Taxes	502	Reserve A/c.	2100
Insurance	382	Mortgage on Premises	9000
Office Expenses	208	Sales	90460
General Trade Exs.	2080	Bankers	4874
Repairs	674	Interest and Discounts	86

Answer.—*Gross Profit* £18021 ; *Net Profit* £8400 ; *Bal. of Cap.* : *Serge* £21,245, *Cheviot* £19,715. *Total of B/S.* £90,399.

Exercise 59. (*Royal Society of Arts*, 1904.)

Q. 1. John Jones owed W. Smith £50. Jones failed ; and his estate realised a first and final dividend of 7/6 in the £. What is meant by a "first and final dividend" ? What did Smith receive ; and what entries would you expect to find in his books ?

Q. 2. The following crossings appeared upon cheques received by George Smith. What do they respectively mean ? Which do you prefer, or what other would you recommend, and why ? (& Co.) ; (a/c. payee) ; (Blank Bank, Ltd., a/c. John Smith).

Ex. 1. John Shaw having opened an a/c. with The Dales Bank, Ltd., by paying in £4200 to his credit, on 12th Oct., 1903, purchased (by cheque) the following day, the Duchess Slate Quarry from W. Black, the purchase price (after valuation) being :—Freehold Land and Quarry, £2350 ; Stock of Slates, £300 ; and Machinery, Plant, Tools, &c., £350. *All receipts through Bank, and (except where stated) all payments by cheque.* Pass the above and the following transactions through the proper books to the Ledger ; balance the a/cs. ; bring down the balances and extract a T.B.

Oct. 14. Drew and cashed cheque (for petty cash) for £20.
,, 16. Bought Machinery from Gray & Co. for £45. Gave them his acceptance at 1 month, which was honoured.
,, 19. Sold G. Hill 3500 slates at £7 8s. per 1000.
Bot. 2 cwt. drills from Sheffield Steel Co. at £20 ton.
,, 21. Paid Rates £6 10s. 4d.
,, 23. Sold Parker & Co. 1600 slates at £7 4s. 2d. per 1000.
,, 24. Drew cheq. £73 7s. 9d. for wages, and paid the same.
Banked cash received for cartage, £4 2s. 6d.
,, 27. Made G. Hill an allowance for 250 broken slates (invoiced Oct. 19), made a claim upon the Ry. Co. for amount.
,, 28. Rec. chq. from G. Hill in settlement of a/c. less 5% dis.
Bot. 3 tons rails at £5 a ton from Rotherham Forge Co
,, 29. Sold Parker & Co. 1500 slates at £7 4s. per 1000.
,, 31. Sold D. Green 4200 slates at £8 3s. 4d. per 1000.
Drew cheque and cashed same (for Petty Cash) for £11 15s. 4d., the Petty Cash being kept upon the "Imprest" System.
Paid Manager's Salary for the month, £30.
Drew cheq. £68 3s. 7d. for wages, and paid the same.
Nov. 5. Recd. cheque £10 from Parker & Co. (on account).
Bot. oil and other stores from Slippery & Co. for £4 10s.
,, 6. Paid Sharp & Co. cheque £21 for legal charges.
,, 7. Parker & Co.'s cheque for £10 returned by the bankers dishonoured, the bank charges being 1s.
Drew cheq. £70 8s. 4d. for wages, and paid the same.
Banked cash received for cartage £7 14s.
Bought 10 cwt. blasting powder at £5 a ton from Dynamite & Co., Ltd.
,, 10. Rec. cheque from Parker & Co. for £10 (on a/c.).
,, 16. Bought timber from D. Green for £16.
,, 19. Rec. cheq. from Ry. Co. for full claim made Oct. 27th.
,, 21. Drew cheque for self for private purposes £20, and cashed.
Drew cheque £62 17s. 6d. for wages and paid same.
(*Total Balances*, £4334 7s. 2d.)

Ex. 2. Messrs. Blank, Sons & Co., Joinery Manufacturers, register themselves as a Limited Company (under the Companies' Acts), on Jan. 1, 1903, with a Nominal Cap. of £60,000 divided into 60,000 shares of £1 each ; and issue 50,000 shares, which are fully subscribed and paid. Adjustments (1) Depreciation of Machinery and Plant @ 10% ; (2) Provision for Bad and Doubtful Debts @ 5% ; (3) £50 of Fire Insurance Premium to be c.f. to next year. **Stock** on Dec. 31, 1903, £12,826. Prepare Trading, P. & L. A/cs., B/S.

Dr. Balances—		**Dr. Balances** continued—	
Freehold Land and Buildings	£12100	Purchases A/c.	£24800
Sundry Debtors	26420	Carriage A/c.	4900
Stock, 1st January, 1903	16420	Rates and Taxes	140
Cash at Bankers	3105	Directors' Fees	500
Wages A/c.	14214		
Salaries A/c.	920	**Cr. Balances**—	
Fire Insurance	126	Doubtful Debts Reserve	500
Trade Expenses	1340	Capital A/c.	50000
Bad Debts written off	125	Sales A/c.	62100
Machinery and Plant	20400	Sundry Creditors	11000
Cash in hand	90	Reserve A/c.	2000

Answer.—*Gross Profit* £14592 ; *Net* £8630 ; *Total B/S.* £71630.

Exercise 60. (*Royal Society of Arts, Intermediate,* 1905.)

Q. 1. Hy. Johnson, Provision Merchant, holds two B/R., one being for six mos. £100, accepted June 30, 1904, by Geo. Jenkins, and the other for five mos. £90, accepted June 18, 1904, by Alfred Smith. Give a sketch of a suitable B/R. Book for Hy. Johnson and enter the above bills therein. Alfred Smith failed to honour the Bills accepted by him. What entries does such default necessitate in Hy. Johnson's books ? **Q. 2.** A firm of Drapers, whose head office is in London, has three retail branches in the Provinces. State what weekly returns you would expect from the branches, and how you would deal with such returns in the books of the head office.

Ex. 1. Austin Brown, whose capital consisted of £2500 in the Assets Bank, Ltd., commenced business on Feb. 1, 1904, by opening stores for the sale of tea and coffee ; having adapted the front room of his house (his own freehold) for use as a shop, by an outlay of £200, and expended £50 in furniture and fittings. Paid both items by cheque on Feb. 1. *All receipts and payments through Bank* unless otherwise stated. Pass the above and following transactions through the proper books to the Ledger ; balance the a/cs. as on Feb. 18 ; bring down the balances and extract a T.B.

Feb. 2. Drew cheque for £10 for Petty Cash.
,, 3. Bought from F. Thompson & Co., 8 chests of China tea for £43 4s., and paid Government duty £2 12s. 6d.
,, 4. Purchased coffee-roasting machine from Machine Supply Co., £38 10s.
,, 5. Sold 1 chest tea to A. James & Co., £6, dis. 2½% 1 mo.
Purchased from G. Mager 1 cwt. coffee at 87/6 per cwt., and 1½ cwt. do. at 92/- per cwt.
Purchased from R. Phillips 2 cwts. of coffee at 81/3 cwt.

Feb. 6. Bought for cash stationery, string, &c., £6 4s. 2d.
„ 7. Draw cheque for £12 10s. for Rates.
„ 8. Paid Income Tax (Schedule A) at 1/- in the £, and House Duty at 9d. in the £, the annual value of house and shop being assessed at £120.
„ 9. Bought from Ceylon Tea Co. 3 chests of tea at £4 16s. per chest, duty paid.
„ 10. Cash Sales for the week amounted to £7 3s. 4d.
Ordered Advertisements in Geo. Smith's Time-Tables to the amount of £7 10s.
Drew cheques for wages, £3 4s. 6d., for P.C. £6 4s. 2d.
„ 12. Finding that roasting machine was unsuitable, sold it for £33 cash ; purchd. larger one from M. S. Co., £64.
„ 13. Paid Machine Supply Co. for first machine less 5% cash dis.
„ 14. Sold Royal Tea Co. 56 lbs. "A.B.'s special blend" at 2/-.
Recd. cheq. from James & Co. in settlement less 2½% dis.
„ 15. Purchased 2 bales of Mocha coffee at 192/- per bale from the Coffee Syndicate, Ltd., and gave them acceptance at 1 month for amount of invoice.
„ 16. Paid from P.C. fine & costs for inaccurate scales, 45/-.
Sold G. Mager 1 cwt. of "A.B.'s pure Coffee," at 94/-.
Paid G. Smith one-half of the advertisement.
„ 17. Drew cheque for £3 4s. 6d. for wages.
Cash Sales for week amounted to £11 16s. 2d.
„ 18. Drew cheque for £10 for private purposes.
(*Total Balances*, £2684 17s.)

Ex. 2. Messrs. Alfred Brown and George Robinson are in partnership as cigarette manufacturers, profits and losses shared equally. (1) Int. allowed on partners' capital at 5% per ann. (2) Annual depreciation provided on machinery and plant at 10%, and on fixtures and fittings at 5%. (3) Provision made for bad and doubtful debts at 5%. (4) A reserve of £50 made for the Auditor's fee. The **stock** in hand on Dec. 31, 1904, valued at £6320. Prepare Trading A/c., P. & L. A/c. and B/S.

Dr. Balances—		**Dr. Balances** continued—	
Brown's drawings with int.	£600	Commission&Traveller'sExs.	£130
Robinson's do.	400	Rent, Rates and Taxes	200
Sundry Debtors	5140	Gas and Water A/c.	41
Plant and Machinery	2360	Int. and Dis. A/c.	100
Fixtures and Fittings	680	Trade Expenses	251
Goodwill A/c.	500	Income Tax Sch. D.	42
Stock A/c., 1st Jan.	6720	Bad and Doubtful Debts	402
Cash in hand	18	**Cr. Balances**—	
Cash at Bank	1252	Brown's Cap., 1st Jan.	2400
Purchases with Gov. Duty	19087	Robinson's Cap. do.	1200
Manufacturing Wages	3402	Sundry Creditors	4302
Salaries	950	B/P.	4380
Licenses and Insurance	54	Loan A/c.	2000
Returns from Customers	822	Sales	28895
Carr. and Export Charges	210	Tobacco Returns to Crs.	184

Answer.—*Gross Profit* £5368 ; *Net Profit* £2231 ; *Bal. of Cap. ; Brown* £3035 10 ; *Robinson* £1975 10. *Total B/S.* £15743,

Exercise 61. (*Royal Society of Arts, Intermediate*, 1906.)

Q. 1. Henry Barrow keeps his books upon the double entry system. At the periodical stocktaking his book-keeper extracts a T.B., and after adjusting some errors, finds that the total of the debit balances equals the total of the credit balances. Is this agreement an absolute proof that the books are correct in every respect and that no further errors exist ? Give reasons for your answer. What further tests, if any, would you apply ? **Q. 2.** Submit rulings for a Cash Book suitable for a professional man, who keeps no Petty Cash Book but passes both cash and cheque receipts and payments through the same C.B. Make three entries on the debit side and six on the credit side. Close and rule off.

Ex. 1. On Jan. 1, 1906, John Smith's **Assets** were :—Stock £342 4 7 ; Freehold Property £1000 ; Furniture and Fittings £92 10 4 ; Cash at Bank £25 8 9 ; in hand £19 5 2 ; owing by John Bell £38 10 – ; E. Walters £26 2 3 ; Black & Co., £169 10 –. **Liabilities:**—To A. Brown & Co., Ltd., £64 2 – ; W. White & Son £226 7 1 ; B/P. £60 ; Loan due to G. Robinson £50. Open Ledger, showing position as on Jan. 1, and pass to it, through the proper books, the following :—

Jan. 2. Accepted Bill drawn by W. White & Son for the amt. of their A/c. at 3 months.
Sold to John Bell one electrically heated stew pan, £1 19s., two omelet pans at £1 10s. each, three saucepans at £1 10s. each, three hot-water plates at £3 each, one hot-water jug, £1 7s. 6d., and one kettle, £4 5s.
Received from Black & Co. £50 on account.

„ 3. Drew a cheque for £10 for private purposes.

„ 4. John Bell returned one saucepan and one hot-water plate sold to him on Jan. 2, and settled his a/c. as on Jan. 1, less 2½% dis.

„ 5. Sold F. Green 3 electrically heated water cans at 50/- ea., 6 flat irons at 19/6 ea., and 1 glue pot at 27/6.
Bot. from A. Brown & Co., Ltd., five electrically heated Russian coffee machines at £1 17s. 6d. each, six egg boilers at £1 15s. each, three sterilizers at £1 12s. 6d. each, and one convector at £7 15s.

„ 6. Bought for cash two office stools at £1 10s. each.

„ 7. Drew cheque for petty cash and wages £10.
Paid in cash, wages £14 2 6, and salaries £3.
Paid in cash, office expenses 14/10.

„ 9. Bill payable for £60 (due this day) was duly honoured on John Smith's behalf by the bank.
Sundry Cash Sales for week ended Jan. 7, amounting to £27 2 9, paid into the bank.

„ 10. Bought for £3 a carpet for the private office.
Returned to A. Brown & Co., Ltd., two egg boilers and one sterilizer bought from them on Jan. 5.

Jan. 11. Received from Black & Co. the balance of their a/c., dis. at 2½% being allowed on the whole amount due from them on Jan. 1.
,, 12. Returned carpet purchased on Jan. 10 in exchange for a larger one value £4, the difference paid for in cash.
,, 13. Paid cash for repairs to office Desk 7/6.
,, 14. Drew cheque for petty cash £15, and paid wages and salaries as on Jan. 7.
Paid in cash, office expenses £2 7 2.
,, 14. Paid into Bank cash sales for week, £41 15 6.
Paid A. Brown & Co., Ltd., £12 on a/c.
(*Total Balances* £1781 15 4.)

All moneys received were at once paid into the Bank; and (unless stated otherwise) all payments were made by cheque. Balance the a/cs. as on Jan. 14; bring down the balances and extract a T.B. Note that no P. & L. A/c. or B/S. is to be prepared.

Ex. 2. Samuel Smith and Robert Brown are partners in a manufacturing business. After providing 5% per ann. int. upon their respective Cap. A/cs. profits or losses are to be shared equally. Adjustments to be made—(1) Plant and Machinery A/c. is to be depreciated by 10%. (2) Furniture & Fittings A/c. 5%. (3) Provision for Bad and Doubtful Debts at 5%. (4) Only three quarters rent have been paid; the quarter's rent due on Dec. 25th, 1905, not having been paid or passed through the books. **Stock** £800. T.B. extracted on Dec. 31 is set out below. Prepare Trading and P. & L. A/cs. and B/S., in which show the partners' a/cs. in detail.

Dr. Balances—		**Dr. Balances** continued—	
Smith's Drawings (including int)	£450	Sales Returns	£150
Brown's do. do.	400	Bad Debts	80
Stock (1st Jan., 1905)	750	Cash at Bank	500
Furniture and Fittings	300	Cash in hand	20
Plant and Machinery	500	Sundry Debtors	2140
Goodwill	1000	**Cr. Balances**—	
Purchases	2300	S. Smith Cap. Jan. 1, 1905	2000
Manufacturing Wages	520	R. Brown do.	1500
Carriage	100	Sales	5400
Salaries	350	Purchases Returns	200
Rent	120	Rent to date for premises sub-let	20
Rates and Taxes	20	Res. for Bad & Doubtful Debts	150
Gas and Water	30	Discount	10
General Expenses	270	Sundry Creditors	720

Answer.—*Gross Profit* £2580; *Net* £1503; *Bal. of Cap.: Smith* £2401 10, *Brown* £1926 10. *Total of B/S.* £5088.

Exercise 62. (*Royal Society of Arts, Intermediate*, 1907.)

Q. 1. What system of Book-keeping would you recommend to a trader starting in business? Explain the various books which should be kept, so as to enable him to ascertain in the shortest time and most reliable manner the results of his business operations. **Q. 2.** What is the difference between gross profit and net profit? Illustrate your answer by means of pro forma Trading and P. & L. A/cs. applicable to the business of a Timber Merchant,

Ex. 1. The assets and liabilities of W. Brown, wine and spirit merchant, on 31st Dec., 1905, were as follows :—

Cash at Bank	£500	Due to A. Robinson	£90
Cash in hand	50	Due to W. Walters	60
Port Wine, 5 pipes at £60	300	B/P. (A. Robinson, due Jan. 6, 1906)	50
Sherry, 5 butts at £50	250		
Owing by H. Johnson	50		
B/R.(J.Smith,dueJan.12,1906)	250		
Office Furniture	100—£1500		£200

On 1st Jan., 1906, a company was formed with a capital of £2500 in £1 Shares, to purchase W. Brown's business, and it was agreed that the purchase price should be an amount equal to his capital in the business on 31st Dec., 1905, to be paid as to £500 in cash, and the balance in fully paid shares, the company taking over all the assets and liabilities of the business. The remaining shares were issued to the public and were duly subscribed, allotted and paid up. Pass the above and the following through the proper books, balance the accounts, bring down the balances and extract a T.B. *Receipts and payments through Bank*, unless otherwise stated.

Jan. 2. Drew cheque for Petty Cash £30.
Sold to H. Johnson 10 doz. of Sherry at 25s. a doz., and 1 pipe of Port at £70.
Bought of W. Glass 30 doz. quart bottles @ 2s. a doz., and 15 doz. pints at 1s. 6d. a doz.

,, 3. Paid cash for Dock charges £2 15 –.
Bought from J. Lewis 10 hogsheads of Brandy at £40, giving him a bill at 2 months, he allowing 2½% dis.
Paid wages and office salaries, drawing and cashing cheque for same, £4.

,, 4. Received from H. Johnson, on a/c. £50.

,, 5. Paid preliminary expenses in connection with the formation of the Company, including legal charges, £100.

,, 6. Bought of A. Robinson 2 pipes of Port at £55, and 6 10-gallon casks of Whisky at £8 a cask.
Bill payable (A. Robinson) paid by Bank, £50.

,, 7. Paid W. Walters' account, less 2½% discount.

,, 8. Paid cash for repairs to cellar door £10 9s. 8d.

,, 9. Drew cheque for Petty Cash £5.

,, 10. Paid wages and office salaries, drawing and cashing cheque for same, £6.

,, 10. Recd. cheq. from H. Johnson in settlement of a/c., less 5% dis. on the whole of his purchases from Jan. 1.
Paid J. Smith's Bill for £250 to the Bank.

,, 12. B/R. given by J. Smith for £250 returned dishonoured.

,, 14. Sold to T. Kino 3 doz. Whisky at 39s., 2 doz. Port at 44s., 5 doz. Sherry at 25s., 3 doz. Brandy at 60s.
(*Total Balances*, £3153 12 6.)

Ex. 2. Messrs. George Elliott and Philip Barker are partners a manufacturing business. After providing 5% per ann. int. on their Cap. A/cs., profits and losses are to be shared in the

proportion of George Elliott three-fourths, and Philip Barker one-fourth. Before closing the books as on 31st Dec., 1906, the following further adjustments have to be made. (1) Depreciate Plant and Machinery A/c. 10%. (2) Depreciate Furniture and Fittings A/c. 5%. (3) Provide 5% on Bad and Doubtful Debts. (4) One quarter's rent to be reserved for, only three-quarters having been paid during the year. (5) £25 owing for Trade Exs. has not been passed through the books. (6) **Stock**, valued at £1250. Prepare Trading and P. & L. A/cs. and B/S., showing the Partners' A/cs. in detail in the B/S.

Dr. Balances—	
Elliott's Drawings with Int.	£317
Barker's do.	133
Furniture and Fittings	550
Plant and Machinery	750
Stock, 1st Jan., 1906	950
Office Expenses	250
Trade Expenses	150
Wages (manufacturing)	900
Salaries	425
Carriage	125
Purchases	1680
Returned Sales	125
Bad Debts	80
Rent	120
Dr. Balances continued—	
Rates, Taxes	£40
Gas and Water	25
Sundry Debtors	1250
Cash at Bank	300
Cash in hand	130
Cr. Balances—	
Elliott's Capital, 1st Jan.	3000
Barker's do.	1000
Returned Purchases	150
Sales	3390
Interest and Discount	35
Res. Bad & Doubtful Debts	45
Sundry Creditors	680

Answer. *Gross Profit* £1010 ; *Net Loss* £430 ; *Bal. of Cap.* : *Elliott* £2510 – 10, *Barker* £809 10 ; *Total of B/S.* £4065.

Exercise 63. (*Royal Society of Arts, Intermediate*, 1908.)

Q. 1. On which side of the Ledger would you expect to find the balance of the undermentioned a/cs. ? Give a brief reason in each case :—(*a*) Reserve for Bad and Doubtful Debts. (*b*) Goodwill a/c. (*c*) Suspense a/c. for Insurance paid in advance. (*d*) Freehold Property a/c. **Q. 2.** Explain the following :— "Reserve Fund," "Rebate," "Sinking Fund," "Depreciation."

Ex. 1. John Druce, a cycle dealer, had on 31st December, 1907, the following assets and liabilities.

Furniture and Fittings		£120	
Bills Receivable due 1908 :—			
A. Graves, due 9th Jan.	£75		
B. Walters, due 10th Jan.	125	200	
Owing by :—A. Brown	25		
J. Smith £45 ; A. Graves	20		
B. Walters £10 ; M. Robinson	105		
Cash at Bank, £300 ; on hand		£25	
Stock		650	
Due to H. Sweeting		150	
,, A. Fisher		75	
Bills Payable due 1908 :—			
S. Unwin, due 6th Jan.		90	
F. Lord, due 8th Jan.		85	

John Druce agreed to take M. Robinson into partnership conditionally on the amount owing by him to John Druce on 31st December, 1907, being paid at once ; and also upon his bringing into the business, in cash, the same amount of capital as was standing to the credit of John Druce's Capital A/c. at this date ; one-half of this latter amount was to be paid out in cash, by way of premium, to John Druce and was to appear in the books of

the partnership as Goodwill. These conditions were duly carried out as on 1st January, 1908. Pass the above and the following through the proper books, balance the a/cs., as on 11th Jan., bring down the balances; extract T.B. *All moneys received paid at once into the Bank.*

Jan. 1—Bought of H. Sweeting 1 doz. bicycle frames at 15s. each; Bought for cash 4 dozen wooden crates at 3s. each. Jan. 2—Sold A. Brown 3 bicycles at £7 10s. 0d each, one of which was returned on 3rd Jan. Jan. 3—J. Smith paid his a/c., deducting £2 for bicycle damaged in transit; Sold B. Walters 2 bicycles at £8 8s. 0d. each, charging him with 2 crates at 3s 6d. each; Bought of A. Fisher 6 pairs of wheels at 30s. a pair and job lot of accessories for £5. Jan. 4—Paid office salaries and wages, drawing and cashing a cheque for same £6 10s. 0d.; each partner drew out in cash £3 on private a/c. Jan. 6—Paid A. Fisher by cheque £25 on a/c; Bill payable (S. Unwin), due this day, paid by bank; Sold J. Smith one bicycle for £7 10s. 0d., upon which he paid £2 on a/c. Jan. 7—Bought for cash two second-hand bicycles at 15s. each, one of which was sold for cash same day for 25s.; Cashed cheque for £10 for petty cash purposes. Jan. 8—Bill payable (F. Lord), due this day, paid by bank; B. Walters paid the balance of his a/c. as on this day, deducting 5% dis., which was disallowed. Jan. 9—B/R. given by A. Graves returned dishonoured; a new bill at one month being given for the whole of his a/c.; Sold to B. Walters 20 brakes at 2s. each and 6 lamps at 5s. each; Bought of F. Lord 6 doz. lamps at 3s. each. Jan. 10—Bill Receivable B. Walters duly met; Sold A. Graves a second-hand bicycle for 30s. Jan. 11—Paid office salaries and wages by cheque £6; Each partner drew in cash £3 for private purposes; A. Brown accepted a bill at 3 months drawn upon him for the balance owing by him at this date. (*Total Balances*, £2487 4 –.)

Ex. 2. The authorised Capital of a Manufacturing Co. consists of 1500 Ordinary Shares of £10 each. Prepare Trading and Profit & Loss A/cs. for the year ended 31st Dec., 1907, and a B/S. as on that date. Charge Depreciation on Land and Buildings at 3% per ann., and on Machinery & Plant at 6%. Make a reserve of 5% on the Sundry Debtors for Bad Debts; write down Patents by 10%; carry forward £90 of Insurance; and charge £500 as Directors' Fees. *Stock* as on 31st December, 1907, agreed at £23700. Charge 10% on net profits as remuneration to Managing Director, and appropriate £2500 to Reserve A/c., carrying forward balance.

Dr. Balances—		Dr. Balances continued—	
Stock (1st January, 1907).	£32000	Interest and Bank Charges.	£350
Cash in hand	150	Land and Buildings	22250
Cash at Bank	2900	Machinery and Plant	35600
Purchases	52350	Sundry Debtors	52500
Sale Returns	400	Patents	5000
Manufacturing Charges ...	11500	Cr. Balances—	
Manufacturing Wages	28550	Capital Issued and fully paid up 9000 shs. of £10 each	90000
Salaries	1500	Sales	136500
Trade Expenses	6850	Purchases Returns	750
Rates and Taxes	250	Sundry Creditors	21750
Insurance	190	Bad Debts Res. (1 Jan., 1907)	2600
General Expenses	2640	P. & L. (bal. 31 Dec., 1906)	750
Discounts (balance)	1800	Reserve	5000
Bad Debts	570		

Answer.—*Gross Profit*, £36,150; *Net Profit*, £18,261 1 10; *Total B/S* £136,261 10 -.

Exercise 64. (*Royal Society of Arts Intermediate*, 1909.)

Q. 1. Explain briefly the following :—Goodwill, Dead Rent, Bill of Lading, Bill of Sale, Letter of Credit. **Q. 2.** Which of the balances of the following a/cs. would you expect to find in the B/S., which in the Trading A/c., and which in the P. & L. A/c. ? Give your reasons in each case. (*a*) Machinery repairs and renewals. (*b*) Discounts allowed. (*c*) Unexpired proportion of apprentice premiums. (*d*) Transfer fees. (*e*) Unclaimed dividends. (*f*) Stock of goods and materials on hand.

Ex. 1. J. Bennett & Co., Ltd., had on 31st December, 1908 :—

Dr. Balances—		Dr. Balances continued—	
Cash at Bank	£1000	Stock	£3000
Bills Receivable due 1909 :—		Buildings	6000
W. Cox, due 5th Jan.	250	Cr. Balances	
J. Cooper & Co due 7th Jan	250	Ordinary Share Cap.	5000
DEBTORS :—Thomas Green ..	100	Preference Share Cap.	5000
W. Cox	50	CREDITORS :—J. Jinks	200
J. Cooper & Co.	150	F. Flint	800
A. Black & Co., Ltd.	250	J. Smith	150
J. Jones	300	Johnson & Co.	250
Cock & Co.	1050	Profit & Loss A/c.	1000

Pass the above and the following through the proper books balance the A/cs. as on 11th January, 1909; bring down the balances; extract T.B. *All moneys received paid at once into the bank.*

Jan. 1—Drew and cashed petty cash cheque £5; Sold W. Cox 120 yards of Silk at 5s. 6d. per yd. Jan. 2—Accepted bills drawn by F. Flint, viz. : three for £250 each drawn at one mo., two mos., and three mos., respectively; Paid Flint the balance of his a/c. by cheque, deducting 2½% dis. on the whole a/c. as on 31st December, 1908; Bought for £4 10s. 0d. a parcel of silk; Drew and cashed cheque for petty cash and wages £15; Paid wages in cash £12 10s. 0d. Jan. 4—Received from J. Cooper & Co., £50 on a/c.; Sold Thomas Green 20 yds. of Irish Linen at 3s. per yd.; Bought of F. Flint 75 yds. of Irish Linen at 2s. per yd. Jan. 5—Received fees on transfer of shares 10s.; Paid by

cheque, Tool & Co., £47 10s. 0d. repairs to bldgs. ; W. Cox's bill due and paid to bankers. Jan. 6—Sold A. Black & Co. 150 yds. of black silk, at 10s. per yd. ; A. Black & Co. paid the whole of their a/c. less 5% dis. Jan. 7—J. Cooper & Co.'s bill due but not met. Two new bills of equal amount given at one mo. and three mos. respectively to cover the whole amount due from them. Jan. 8—Bot. of J. Jinks 9 pcs. velvet, 40 yds. each, 8/6 per yd. ; Received of Cook & Co. £250 on a/c. ; Recd. first and final dividend 5s. in £ on Green's a/c. Jan. 9—Paid, in cash, carriage a/c., 30s. ; Paid, by cheque, legal expenses £7 10s. 0d. ; Purchased postage stamps, £2 ; Paid, by cheque, stationery a/c., £1 15s. 0d. ; Drew and cashed cheque for petty cash and wages, £17 10s. 0d. ; Paid wages in cash £14. Jan. 11—Received of J. Jones the amount of his a/c. less 2½%; Paid J. Smith the amount of his a/c. less a dis. of 2½%, after taking into consideration an allowance made by him of £10 for short delivery of goods. (*Total Balances*, £12505 10 –.)

Ex. 2. From the following T.B. extracted from the books of J. & J. Robinson, prepare Trading and P. & L. A/cs for the year ended 31st December, 1908, and B/S. as on that date. Charge Depreciation on Land and Buildings at 2½%, on Plant and Machinery at 10%, and on Furniture and Fixtures at 10%. Make a reserve of 5% on Sundry Debtors for Bad Debts. Carry forward the following unexpired amounts :—(1) Fire Insurance £12 7 2 ; (2) Rates and Taxes £24 2 6 ; (3) Apprentice Premiums £40. Charge 5% Int. on Cap. but not on Drawings. Profits and Losses to be shared in the following proportions :—James Robinson, five-ninths, Joshua Robinson four-ninths. **Stock** as on 31st December, 1908, £2939 9s. 3d.

Dr. Balances—				**Dr. Balances continued—**			
Jas. Robinson's Drawings A/c.	£437	10	–	Sundry Debtors	£3781	15	9
Joshua Robinson's do.	246	11	7	Stock (31st Dec., 1907)	2642	14	8
Land & Buildings	2500	–	–	General Expenses	149	1	5
Plant & Machinery	1426	17	7	Fire Insurance	49	15	–
Furniture & Fixtures	125	8	4	Cash at Bank & in hand	1344	4	10
Carriage	437	1	4				
Wages (Manufacturing)	2147	6	1	**Cr. Balances—**			
Salaries	467	10	–	Jas. Robinson's Cap. A/c.	5000	–	–
Sales Returns	176	2	7	Joshua Robinson's do.	4000	–	–
Bank Charges & Interest	14	4	6	Bad Debts Res. (31. 12. 1907)	247	6	2
Coal, Gas, & Water	72	1	7	Sales	9122	16	9
Rates and Taxes	84	7	6	Discount A/c. (balance)	12	7	6
Purchases	4216	17	2	Purchases Returns	846	2	2
Bills Receivable	127	10	–	Sundry Creditors	1217	15	1
Trade Expenses	49	7	9	Apprentice Premium	50	–	–

Answer.—*Gross Profit* £3288 6 4 ; *Net* £1851 5 7 ; *Bal. of Cap. James*, £5840 19 9 ; *Joshua*, £4776 4 3. *Total of B/S.* £11874 19 1.

Exercise 65. (*Royal Society of Arts, Intermediate*, 1910.)

Q. 1. State what is meant by the terms (*a*) "Nominal Accounts" and (*b*) "Personal Accounts." What is the name of the class to which A/cs. other than the foregoing may be said to belong ? Give an example of each (containing three debit and

three credit entries). **Q. 2.** How would you construct a "Trial Balance?" Give two examples of errors which might occur in "writing up" a set of books, without affecting the "agreement" of the Trial Balance.

Ex. 1. A. Day and B. Comet were equal in capital and partnership as engineers and founders on the 31st Dec., 1909.

Assets.		Liabilities.	
Stock-in-trade	£1342	Due to :—Roberts Bros.	£311
Furniture & Fittings	264	W Brown, Son & Co.	140
Plant & Machinery	1547	Robinson & Co.	113
Cash at Bank £305, in hand	8	J. Green & Son	156
Bills Receivable due 1909 :—			£720
The Gas Engine Co., due 4 Jan.	142	Bills Payable due 1909 :—	
J. Smith & Co., due 8th Jan.	74	J. Green & Son, due 6 Jan.	100
Owing by :—J. Smith & Co.	172	Roberts Bros., due 1 Feb.	169
The Gas Engine Co.	22		269
W. Owen	177	A. Day Loan A/c.	500
J. Jones & Sons	285	A. Day Interest A/c.	11
R. Black	162		

Open Ledger A/cs., showing position of firm on 31st Dec., 1909, and pass to it, through the proper books, the following: balance the A/cs. as on 10th Jan., 1910, bring down the balances and extract a Trial Balance. *All moneys received were at once paid into the Bank.*

Jan. 1—Drew and cashed cheque for petty cash and wages £15; Paid wages in cash £16; Paid each partner his week's salary of £3 in cash. Jan. 3—W. Owen paid his a/c., less 2½% dis., and gave an order for a machine to cost £75; Bot. of Robinson & Co., 6 tons pig iron at 51s 2d. a ton. Jan. 4—Gas Engine Co.'s Bill became due, but not met. A new Bill given at one month for the whole of their a/c.: Paid Robinson & Co., the amount of their a/c. as on 31st Dec., less 2½% dis., after taking into consideration an allowance of £5 for imperfect goods supplied. Jan. 5—J. Jones & Sons paid £100 on a/c.; Bot. of J. Green & Son, 5 cwt. sheet copper at £78 a ton. Jan. 6—Sold R. Black 1 ton of pig iron at 56s. a ton, and charged him in addition 10s. for cartage; J. Green & Son's Bill became due and was duly met. Jan. 7—Sold J. Jones & Sons 3 cutting machines at £24 each; Sold J. Smith & Co. 2 cwt. of sheet copper at £83 a ton; Paid by cheque the amount due (on 31st Dec., 1909) to A. Day for interest; Bought for cash 12 gallons of oil at 1s. 3d. per gallon. Jan. 8—Paid wages £13, a cheque for this amount being drawn and cashed for the purpose; Paid each partner his week's salary by cheque; J. Smith & Co.'s Bill became due and was duly met. Jan. 10—Bought of Roberts Bros. 10 tons of coal at 12s. a ton, and paid them (by cheque) £150 on a/c.; Sundry Cash Sales to date £31; Drew and cashed cheque of £5 for Petty Cash purposes; Accepted W. Brown, Son & Co.'s Bill for £140 at 3 mos. (*Total Balances*, £4289 3 –.)

Ex. 2. The Brown Box Co., Ltd., had a Nominal Capital of £10000, divided into 5000 Ordy. Shares of £1 each and 5000 6% Pref. Shares of £1 each Prepare Trading and P. & L. A/cs.

and B/S. for the year ended 31st Dec., 1909. Depreciation: Land and Buildings 2½% per ann., Furniture & Fixtures 5% per ann., Plant & Machinery 10% per ann. Make the Bad Debt Reserve up to £400. Carry forward the following unexpired amounts:—Insurance £9 7 6, Rates & Taxes £17 8 2. **Stock**, 31st Dec., 1909, £1721 17 3.

Dr. Balances—				**Dr. Balances** continued—			
Freehold Land & Bldgs.	£3700	–	–	Directors' Fees	£50	–	–
Furniture & Fixtures	946	6	10	Purchases	4129	16	8
Stock, 31st Dec., 1908	1929	14	7	Sundry Debtors	3764	17	10
Plant & Machinery	1727	10	2	Bank Charges	10	2	1
Rates & Taxes	87	14	1	Cash at Bank	822	5	7
Carriage	422	4	8	Cash in hand	63	2	1
Trade Expenses	33	1	1				
Lighting & Heating Exs	72	2	6	**Cr. Balances**—			
General Expenses	127	16	10	Ordinary Share Capital	4800	–	–
Pref. Share Dividend (paid during the year)	171	–	–	Preference Share Capital	3000	–	–
Ordy. Share Dividend (paid during the year)	114	–	–	Discount A/c. (balance)	13	2	–
Manufacturing Wages	2014	1	9	Bad Debts Res., 31 Dec., 08	188	14	8
Salaries	505	14	8	Sales	10124	14	2
Sales Returns	101	2	10	Purchases Returns	94	12	4
Insurance	39	1	2	Sundry Creditors	2144	5	1
				P. & L. A/c. (Balance 31st Dec., 1908)	472	7	2

Answer.—*Gross Profit* £3344 3 3. *Net Profit* £1928 11 10; *Total B/S.*, £12060 4 1.

Exercise 66. (*Royal Society of Arts, Intermediate.* 1911.)

Q. 1. What is a Bill of Exchange? Briefly explain the following terms in connection with bills:—"Endorsing over," "Allonge," "Noting," "Renewal," "With documents attached." **Q. 2.** Give an analysed form of Sales Book, and enter therein five transactions relating to the sale of cotton prints, velvet, silk, and fancy goods.

Ex. 1. Wm. Bennett, wholesale and retail hosier and hatter had on 31st Dec., 1910, the following Ledger Balances:—

Assets.		**Liabilities.**	
Stock	£1127	Bills Payable due 1911:—	
Furniture and Fittings	164	S. Dove (due 7th Jan.)	£211
Plant & Machinery	83	Robinson & Co. (due 17th Jan.)	49
Cash at Bank £221; in hand	30	Sundry Creditors:—	
Bills Receivable due 1911:—		Robinson & Co.	34
Roberts & Co. (due 6th Jan.)	37	A. Green & Co., Ltd.	93
W. Lea (due 14th Feb.)	79	S. Dove	117
Sundry Debtors:—		Brown Bros., Ltd.	122
H. Sheppard & Sons	92	Elliott & Co.	47
A. White & Co., Ltd.	42		
Roberts & Co. £17; W. Lea	8		

He agreed to take his manager, H. Burns, into partnership as from 1st Jan., 1911, on condition that he brought in £500 cash, and paid Bennett £250 for a third share of the profits. Burns paid these two amounts on 2nd Jan. Open the Ledger a/cs of the new firm, and post, through the proper subsidiary books, the following transactions; balance the a/cs. as on 10th Jan., bring down the balances and extract a T.B. *All Purchases and Sales were on credit, unless the contrary is stated, and all moneys received were paid into bank.*

Jan. 2—Sold to W. Lea, 1 gross of Tweed caps at 18s. 6d. per doz.; Bought, for cash, job line of felt goods for £5. Jan. 3—A.

White & Co., Ltd., paid their a/c., less 2½% dis.; H. Sheppard & Sons gave a bill for £50 at 3 months; Bought of Robinson & Co., 3 doz. Oxford shirts at 28s. 11d. per doz., and 2 doz. heather mixture half-hose at 8s 6d. per doz. Jan. 4—Bought of A. Green & Co., Ltd., 6 doz. linen handkerchiefs, 3 doz. ladies' at 7s. 9d. per doz., and 3 doz. gents' at 8s. 3d. per doz. Jan. 5—Paid by cheque, S. Dove £50 on account. Cash Sales £37. Jan. 6—Renewed Roberts' bill, which was due, but was not met; Sold A. White & Co., Ltd., 9 felt hats at 37s. per doz., and 3 only, silks, 7s. 9d., 10s. 6d., and 12s. 3d. each. Jan. 7—S. Dove's bill due, and met; W. Lea paid his a/c. as on 31st Dec., 1910, less 2½% dis.; Roberts & Co. paid their a/c., less an allowance of £3 for imperfect goods; Paid, by cash, wages £15 and carriage £2. Cash Sales £49. Jan. 9—Paid Elliott & Co. £25 on a/c., and bought from them 2 doz. saddlers' braces at 15s. 6d. per doz.; A. Green & Co. "drew on us" at 3 months for £90, which was duly accepted; Bought of S. Dove, 10 doz. Burlington collars at 6s. 3d. per doz. Jan. 10—Sold H. Sheppard & Sons, 3 doz. Tweed hats at 21s. per doz., 6 doz. boys' caps at 7s. 9d. per doz.; Sold W. Lea, 1½ doz. felts at 42s. per doz.; Cash Sales, £31. (*Total Balances*, £2265 18 –.)

Ex. 2. From the T.B. extracted from the books of John Pearson and Allan Macgregor, Corn Dealers, prepare Trading and P. & L. A/cs. and B/S. for the year ended 31st Dec., 1910. Profits and Losses to be shared two-thirds by Pearson and one-third by Macgregor. **Adjustments** to be Journalised:—(*a*) Interest at 5% per ann. to be charged on Capital, but not on Drawings, (*b*) Depreciation to be charged:—Fixtures & Fittings 5%; Plant & Machinery 10%; Horses & Carts 15%; (*c*) Bad Debts Reserve to be made up to £500. (*d*) Only three-quarters rent had been paid on 31st Dec., and no reserve had been passed through the books for the quarter owing. (*e*) Unexpired amounts to be carried forward:—Rates & Taxes £14 8s. 7d.; Insurance £7. **Stock, £2994 14s. 7d.**

Dr. Balances—			
Repairs & Renewals ..	£248	2	1
Plant & Machinery ...	847	10	–
Sales Returns	742	7	8
Stock, 31st Dec., 1909	2721	14	1
Bad Debts	89	4	–
Carriage	1421	10	7
Travelling Expenses ..	156	14	2
Stable Expenses	192	1	4
Purchases	13728	–	6
Bills Receivable	929	1	1
Wages	1646	13	10
Salaries	346	2	3
John Pearson, Drawings	650	–	–
Allan Macgregor, Drawings	300	–	–
Water, Gas, etc.	126	2	7
Rent	150	–	–
Insurance	30	5	2
Trade Expenses	197	18	1

Dr. Balances continued—			
General Expenses	£203	1	2
Sundry Debtors	5771	4	1
Horses & Carts	356	14	11
Rates & Taxes	127	4	6
Fixtures & Fittings ...	375	8	9
Commission	62	12	7
Cash in hand	46	7	1
Cr. Balances—			
John Pearson, Capital	6000	–	–
Allan Macgregor, Capital	3000	–	–
Sales	19947	18	9
Cash Sales	384	2	9
Purchases Returns ...	757	16	5
Reserve for Bad Debts	150	–	–
Discounts	4	9	7
Sundry Creditors	1099	10	10
Bank Balance	122	2	2

Answer.—*Gross Profit*, £3824 5 10; *Net*, £913 15 5; *Bal. of Cap., J.P.* £6259 3 7; *A.M.* £3154 11 10. *Total B/S.* £10685 8 5.

Exercise 67. (*Royal Society of Arts Intermediate*, 1912.)

Q. 1. What is a *negotiable instrument?* What is the effect of marking a document *not negotiable?* **Q. 2.** Briefly explain the purposes for which the Journal is employed in an *up-to-date* counting-house. Journalise the following :—(*a*) On 18th Jan., 1912, Peter Sykes exchanged, with Peter Blair, a motor-car valued at £350, giving him a dog-cart, valued at £150, and two horses valued at £100 each. (*b*) On 19th Jan., 1912, John Smith returned damaged goods, invoiced at £10 14s. 6d., to Andre Gammon. His book-keeper entered the transaction in the Sales Journal, in error.

Ex. 1. George Norman and Robert Carter are Wholesale and Retail Grocers, the former's Capital being twice that of the latter. On 31st Dec., 1911, in addition to the partners' balances, the following appeared in their Ledgers :—**Assets :** Cash in hand, £47 ; Cash at Bank, £482 ; Stock, £870 ; Fixtures, Fittings & Utensils, £247 ; Horse & Vehicles, £155. Sundry Debtors :—J. Morley, £68 ; A. Barnes, £23 ; R. Foster, £29 ; S. Middleton, £35. **Liabilities :** Sundry Creditors :—J. Harris & Sons, £50 ; W. Clark, £55 ; Evan Lloyd & Co., £64 ; W. Newton, £15 ; Reserve for Rent (due 25th Dec., 1911), £50. Enter in the Ledger the foregoing particulars, and pass through the books the transactions from **Jan. 1st to 8th, 1912.** Balance the a/cs., bring down the balances, and extract a T.B. All purchases and sales were on credit, unless the contrary is stated.

Jan. 1—Paid into Bank, £30 ; Recd. from J. Harris & Sons, 3 cwt. of sugar at 13s. 6d. ; Recd. from W. Clark, 20 cases of preserved fruit at 9s. 6d. per doz. tins (each case contained 2 doz. tins). Jan. 2—Sold to A. Barnes 50 lbs. tea at 1/4 per lb., and charged him 3/- for boxes ; Accepted 3 mos. bill from J. Harris & Sons for £50 ; Cash Sales for the past two days were £77. Jan. 3—Received cheque, which was paid into Bank, from S. Middleton, in settlement of his a/c., less 5% dis. ; Cash Sales for the day £27. Jan. 4—Paid Rent (due 25th Dec., 1911), by cheque ; Sold to R. Foster, 12 cases of "X.L." Sauce at 3/3 per doz. bottles (each case contained 2 doz. bottles) ; Returned to W. Clark, 1 case of preserved fruit, delivered on the 1st inst.—goods faulty. Jan. 5—J. Morley accepted a one month's bill, drawn on him for £40 ; Cash Sales for the past two days were £83. Jan. 6—Sold to S. Middleton 1 gross tins Cocoa at 6/- per doz. tins ; Recd. from Evan Lloyd & Co., 30 kegs of butter, containing in all 4 cwts., at 86s. per cwt. ; The Bank discounted J. Morley's bill, charging $3\frac{3}{4}\%$; Sent Credit Note for 3/- to A. Barnes for boxes returned ; Paid Wages £13 10s. in cash ; Cash Sales for the day were £46. Jan. 8—Paid by cheque W. Newton's a/c. as on 31st Dec., 1911, less $2\frac{1}{2}\%$; George Norman drew in cash £7, & Robert Carter £3 10s. ; Pd. by cheq., Evans Lloyd & Co.'s a/c. as on 31st Dec., 1911, less $2\frac{1}{2}\%$; Paid all cash in hand on this date, with the exception of £10 retained for Petty Cash purposes, into Bank. (*Total Balances*, £2111 3 8.)

Ex. 2. The X Manufacturing Co., Ltd., had a Nominal Capital of £75000 divided into 5000 Ordinary Shares of £10 each, and 25000 6% Preference Shares of £1 each. Prepare Trading and P. & L. A/cs. and B/S. for the year ended 31st Dec., 1911 Depreciation :—Patents 10%, Buildings 3% per ann., Plant & Machinery 6% per ann. Credit a further reserve of ½% on gross Sales to the Bad Debt Reserve A/c. Reserve 2½% on Debtors for Discount Reserve £250 for Directors' Fees. Appropriate £2000 to Reserve A/c. **Stock,** 31st Dec., 1911, £11420 8s.

Dr. Balances—				**Dr. Balances continued—**			
Stock, 1st Jan., 1911	£16200	4	3	Machinery & Plant	£17000	-	
Cash	106	2	-	Debtors	28397	4	2
Bank	3196	13	-	Patents	3000	-	-
Purchases	25123	7	-	Pref. Dividend Paid..	706	5	-
Returns Inwards	901	7	9	Interim.Ordy.Div.Paid	900	-	-
Manufacturing Exs	5314	2					
Manufacturing Wages	13210	-	-	**Cr Balances—**			
Salaries	1525	-	-	Ordy. Share Cap A/c	30000	-	-
Travelers' Salaries, ..				Pref. Share Cap. A/c.	25000	-	-
Commission & Exs	3210	-	-	Sales	63200	4	8
Rates and Taxes	210	-	-	Returns Outwards ..	308	17	6
Insurance	70	-	-	Discount	578	3	-
General Expenses	1420	-	-	Creditors	9843	2	-
Discount	1283	2	-	Bad Debts Res. 1 Jan. 11	400	-	
Bad Debts	280	-	-	P. & L. A/c. (Balance			
Interest & Bank Charges	87	-	-	31st Dec., 1910)	810	-	-
Land & Buildings	10000	-	-	Reserve A/c.	2000	-	-

Answer.—*Gross Profit*, £14180 9 2; *Net Profit* £3795 9 7; *Bal. of Appropriation A/c.*, £999 4 7; *Total of B/S.*, £70092 6 7.

Exercise 68. (*Royal Society of Arts, Intermediate* 1913.)

Q. 1. Rule the form of Sales Journal and Cash Book of a firm using Town and Country Self-Balancing Ledgers. The Sales Journal should also provide for the analysis of the Sales as between three departments. State how and where the items entered in each book should be posted. **Q. 2.** What portions of the Salaries and Wages should be charged to the "Trading Account" and what to the "Profit & Loss Account" in the business of a Manufacturer? Name some items of expenditure which may occur in the same business, which should be charged to Capital.

Ex. 1. B/S. of Smith & Co., Ltd., Grocers, on 31st Dec., 1912 :—

Liabilities.			**Assets.**		
Capital :—Nominal :—			Buildings (leasehold)		£1000
6000 Shares of £1 ea.		£6000	Fixtures, Fittings and Furniture		472
5000 Shares of £1 each issued and paid up		5000	Sundry Debtors :—		
Sundry Creditors :—			H. Falconer	£153	
Rent	£120		T. Cave	71	
Income Tax	62		N. Carver	149	
H. Bell	75		V. Row	27	
T. Burton	33				400
R. Lawson	60		Stock on hand		3023
		350	Bill Receivable :—		
Bills Payable :—			G. Watson		100
A. Scott		40	Cash :—		
Profit & Loss A/c.		907	At Bank	1252	
			In hand	50	
					1302

Open Ledger A/c. and post, through the proper subsidiary books, the following transactions: balance the a/cs as on 8th Jan., 1913, bring down the balances, and extract a T.B. *All purchases and sales were on credit, excepting where the contrary is stated. All cheques received were paid into the Bank.*

Jan. 1—Received cheque from T. Cave for the bal. of his a/c., less 2½% dis.: Purchased from A. Scott, 1 gross 1-lb. jars of Marmalade at 4s. per doz.; Sold to N. Carver, 10 cwt. of Beet Sugar at 9s. 6d per cwt. Jan. 2—Paid by cheques, Rent and Income Tax, owing on 31st Dec., 1912; Paid carriage by cash, £3 2s. 4d.; Recd. from H. Falconer, 3 months' acceptance, dated 2nd Jan., for £100; and discounted same with Bank, the Bank Charges being £1 0s. 4d. Jan. 3—Sold to V. Row, 56lbs. of Tea at 1s. 1d. per lb; T. Cave's cheque (recd. on 1st inst.) was retd. by the Bank, marked R/D. Jan. 4—Purchased from R. Lawson 2 gross tins of Preserved Pears at 6s. 6d. per doz.; Cash Sales £8 19s.; Paid T. Burton, by cheque, the bal. of his a/c. less 2½% dis. Jan. 5—Recd. cheque from N. Carver for £80 on a/c.; Sold to H. Falconer, 2 cwt. of Ground Rice at 2d. per lb.; Sent Credit Note to N. Carver for 5s. for allowance for short weight in goods sold to him on the 1st inst. Jan. 6—Bill Payable £40, due this date, was presented to and paid by the Bank. Jan. 7—Paid Wages in cash £19 5s. Recd. 4d. from each of 8 employees on a/c. of National Health Insurance; Retd. to R. Lawson, 1 doz. tins of Preserved Pears (damaged) purchased on the 4th inst., and recd. C/N. Jan. 8—Purchased out of Cash a new showcase and fittings, £18; Cash Sales, £23; Paid into Bank all cash in hand, less £10 retained. (*Total Balances*, £6094 12 6.)

Ex. 2. From the T.B. extracted from the books of Angus MacAdam and John Westrum, prepare Trading and P. & L. A/cs. and B/S. for the year ended 31st Dec., 1912. **Adjustments:** Depreciation on Land & Buildings 2½%; on Plant & Machinery 10%. The Res. for Doubtful Debts is to be increased to 5% on the Sundry Debtors. Unexpired amounts to be carried forward:—Rates £27 1s. 9d., Insurance £15 7s 9d. The Partnership Agreement provides:—(1) That 5% per ann. shall be allowed on Partnership Cap. (as a charge to the P. & L. A/c.), and that such int. shall be credited to the Partners' Drawing A/cs.; (2) That a Partnership Salary out of Net Profits (if and as made) of £300 per ann. shall in the first instance be credited to Westrum's Drawing A/c.: (3) That the Net Profit (if any), after providing for the aforesaid Partner's Salary, shall be divided between the partners *pro rata* to the amounts at the credit of their Cap. A/cs., and shall be credited to their Drawing A/cs. **Stock**, 31st Dec., 1912. £1,991 7s 6d.

Dr. Balances—			
A.MacAdam,Dwg.A/c.	£1000	-	-
J. Westrum, Dwg. A/c.	300	-	-
Land and Buildings ..	4960	-	-
Plant & Machinery ..	1036	10	-
Stock, 1st Jan., 1912	2019	3	7
Debtors	1596	15	-
Purchases	9284	1	6
Returns Inwards	370	2	-
General Expenses ...	150	6	-
Manufacturing Wages	2001	15	7
Rates & Taxes	167	4	9
Insurance.....	66	9	7
ManufacturingExpenses	225	10	4

Dr Balances continued—			
Salaries	£666	8	-
Discount A/c.	39	4	1
Cash in hand	64	3	8
Cash at Bank	655	9	4
Cr. Balances—			
A. MacAdam, Cap. A/c.	6000	-	-
J. Westrum, Cap. A/c.	2000	-	-
Creditors	1362	13	3
Res. for Doubtful Debts	66	3	-
Sales	14274	6	6
Returns Outwards	870	2	-
Discount	29	18	8

Answer.—*Gross Profit* £3235 3 – ; *Net Profit* £1277 12 – ; *Bal. of Drawings A/c., A.M.*, £258 4 – ; *J.W.*, £419 8 – ; *Total B/S.* £10040 5 3.

Exercise 69. (*Royal Society of Arts, Intermediate*, 1914.)

Q. 1. The undermentioned errors were discovered in the books of John Brown & Co., Ltd., affecting the year ended Dec. 31st, 1913 :—(*a*) June 4th. A cheque received from M. Stein for £10 was posted to his credit as 10s. (*b*) Dec. 27th. Goods returned by E. Hay, which had been invoiced to him at £17 10s., were taken into Stock at £15 ; but the Returns were not entered in the books until the following month. (*c*) Oct. 1st. A purchase amounting to £35 10s. was entered into the Purchase Journal correctly, but was credited to the Personal A/c. as £30 5s. 10d. Show what adjusting Journal entries should be made in order to rectify the above errors in John Brown & Co.'s books.
Q. 2. What constitute the essential differences between a "Trading A/c.," a "P. & L. A/c.," and an "Appropriation A/c." ?

Ex. 1. The B/S. of the Bright Coal Co., Ltd., on 31/12/13 :—

Liabilities.		
Capital :—Nominal :—		
5000 Shares of £1 each £5000		
Issued :—4500 Shares of £1 ea. fully paid		4500
Sundry Creditors :—		
Blank Colliery Co. £190		
White Coal Co. 210		
W. Stranson 35		
S. Brown 18		
		453
Bills Payable :—		
Dumbleton Colliery Co... ..		300
P. & L. A/c. (balance)		339

Assets.		
Freehold Buildings.....		£890
Railway Trucks		2100
Office Furniture		70
Scales & Sacks		130
Horses & Vans		390
Sundry Debtors :—		
W. Carter	£18	
Rowton Corporation ...	328	
V. Norman	82	
W. Wilson	23	
		451
Stock on hand		1000
Cash at Bank		487
Cash in hand		74

Open the Ledger A/cs to record the above ; and post, through the proper subsidiary books, the following transactions ; balance the a/cs. as on 7th Jan., 1914, bring down the balances and extract a T.B. *All cheques paid into Bank. All purchases and sales on credit, except where contrary is stated.*

Jan. 1—Purchased from Dumbleton Colliery Co. 100 tons of Steam Coal at 10s. 3d. per ton ; Sold H. Carver 6 tons of House Coal at 27s. 6d. per ton ; Cash Sales, £18 10s. 6d. Jan. 2—Paid the Blank Colliery Co. their a/c., less £11 11s. 3d. allowance for short weight. Cash Sales, £9 10s. 6d. ; Purchased, out of Cash, Insurance Stamps value 14s. ; Sold to Rowton Corporation 80 tons of Steam Coal at 20s. per ton. Jan. 3, Cash Sales, £21 10s. ; Recd. of Rowton Corporation, Chq. £300 ; Purchased from the Blank Colliery Co., 200 tons of Coal at 11s. 9d. per ton ; Paid Wages in Cash, £15 9s. Received 4d. from each of 10 employees on a/c. of Nat. Health Insurance. Jan. 5—Bill Payable, £300, due this date, was presented to, and paid by, the Bank. Cash Sales, £19 5s. ; Paid W. Stranson his a/c., by cheque, less 12s. for corn sacks returned ; Purchased from S. Brown, 2 tons of Hay at £6 5s. per ton ; Cash Sales, £18 ; Received from V. Norman his a/c., by cheque, less £3 ; Jan. 7—Cash Sales, £23 5s. 6d. Paid into Bank all cash in hand, less £25 retained ; Sold to Rowton Corporation, 120 tons of Steam Coal at 20s. per ton. (*Total Balances*, £5578 2 9.)

Ex. 2. The Speedy Motor Cab Co., Ltd., had a Nominal Capital of £30,000, divided into 10,000 Ordinary Shares of £1 each, and 20,000 6% Preference Shares of £1 each. Prepare Trading and P. & L. A/cs. for the year ended 31st Dec., 1913, and a B/S. Charge Depreciation on Plant & Machinery, and Fixtures & Fittings, at 10% per ann., and on Taxi-cabs at 5% per ann. Write off one-third of the Preliminary Exs. A/c. Reserve for Renewals £500 ; for Rates owing £18 7s. 6d., for Insurance paid in advance £170 1s. 6d. The takings of the cabs on 30th and 31st Dec. amounted to £171 8s. 3d., but were not paid in by the Drivers until 1st Jan. **Stock**, 31st Dec., 1913, £1486 10s. 9d.

Dr. Balances—			
Calls in arrear on Pref. Shares	£8	10	–
Stock, 1st Jan., 1913	1305	8	7
Cash in hand	28	9	3
Salaries	1187	10	3
Tyres	4906	3	11
Insurance	1521	8	–
General Expenses	278	9	
Plant & Machinery	1451	2	
Fixtures & Fittings	1126	17	–
Taxi Cabs	28000	–	–
Debtors	89	17	3
P.&L.A/c.31stDec.,1912	748	3	5
Rent of Taximeters	165	10	–
Licenses	312	8	–
Petrol (less Payments by Drivers')	874	8	6

Dr. Balances continued—			
Training Drivers	£103	5	4
Washing&CleaningCabs	2606	8	2
Repairs	1810	12	5
Rent, Rates & Taxes	953	8	7
Lighting	189	5	4
Directors' Fees	250	–	–
Preliminary Expenses	458	9	6
Legal Exs. & Audit Fee	102	5	3
Cr. Balances—			
Ord. Share Cap. A/c.	10000	–	–
Pref Share do.	18267	–	–
Bank Overdraft	603	5	4
Cab Earnings	18697	19	5
Creditors	710	2	–
Res. for Renewals, 1st Jan., 1913	500	–	–

Answer.—*Gross Profit* £8852 16 10 ; *Net Profit* ; £1730 8 – *Total of B/S.* £31172 9 5.

Exercise 69a. (*Royal Society of Arts, Intermediate, May*, 1915.)

Q. 1. Explain the terms :—(*a*) Company, (*b*) Unlimited Company, (*c*) Limited Company. **Q. 2.** On Oct. 1, 1914, M. Andrew, who owed you £100 accepted a B/E. at 1 month for the amount. Andrew failed to meet the Bill when it came due, and the expenses incurred (5s. 6d.) were debited to your current a/c. by your Banker. Give the Journal Entries which should appear in your books.

Ex. 1. Bloomfield, Parker & Co., Ltd., Produce Dealers, incorporated on Jan. 1, 1912, have a Nominal Cap. of £20000, divided into 10000 Ordinary Shares of £1 each and 10000 5% Pref. Shares of £1 each. 3000 of the Ord. Shares and the whole of the Pref. Shares were issued and fully called up. After closing the books as on Dec. 31, 1914, and preparing the Company's P. & L. A/c., the following T.B. was extracted on Dec. 31, 1914 :—

Dr. Balances—	
Calls in Arrear on Pref. Shares	£200
Horses, Carts and Motor Vans	4460
Fixtures, Fittings & Furniture	1293
Sundry Debtors :—F. Barry ..	68
H. Sells ..	142
K. Murray	34
M. Christie	56
Stock on hand, Dec. 31, 1914 ..	3312
B/R.(F.Barry, due Jan.3,1915)	600
Pref. Share Div. A/c. for Interim Div. due & paid July 1, 1914	245

Dr. Balances continued—	
Cash at Bank—Current A/c.	£1519
Deposit A/c.	3300
Cash in hand	60
Cr. Balances—	
Ordinary Share Capital	3000
Preference Share Capital....	10000
Sundry Creditors :—	
H. Walpole	65
F. Thompson	178
H. Moss	197
P. & L. A/c. Bal. 31/12/14 ..	1699
Reserve for Income Tax ...	150

Open the Ledger A/cs. and record the above balances, and post, through subsidiary books, the following, in 1915 :—Jan. 1. Paid Cheques to Pref. Shareholders for half-year's Div. due Jan. 1, 1915 (ignore Income Tax) ; Purchased from W. Walpole, 12 cwt. of Refined Sugar at 30s. per cwt. ; Paid Freight by Cash, £27 19s. ; Jan. 2. Sold to K. Murray, 56 lbs. of Coffee at 1s. 4d. per lb. ; Received from M. Christie a cheque for the full amount of his a/c. ; Purchased from H. Moss, 15 cwt. of Indian Rice at 10s. 2d. per cwt and paid by cheque his a/c. as on Dec. 31, 1914, less 2½% dis. ; Paid Wages by cash, £31 5s., Received 4s. from employees, being N.H. Insurance contributions, and purchased for cash twelve 7d. insurance stamps ; Jan. 3, B/R. due this day was dishonoured on presentation at the Bank ; Jan. 4, Paid Income Tax, £115 by cheque ; Drew and cashed cheque for £50 ; Purchased new Motor Van for £320, and paid for it by cheque of same date ; Sold H. Sells 3 cwt. of Refined Sugar at 36s. per cwt. ; F. Barry gave a new acceptance dated Jan. 4, payable one month after date, for £600 plus int. at 5% per ann. ; Jan. 5, Sold to M. Christie, 1 cwt. of Cocoa at 1s. 2d. per lb. ; Received cheques from H. Sells and K. Murray for the balances of their a/cs. as on Dec. 31, 1914, less 5% dis. ; Paid Telephone A/c., £5 6s. 7d. ; Received cheque for £100 on a/c. of Calls in arrear.

(*Total Balances*, £15026 1 10.)

Ex. 2. A. Adams and B. Brooks were in business as manufacturers, and shared profits and losses—as to two-thirds to

Adams and one-third to Brooks. On Dec. 31, 1914, the following T.B. was extracted. Prepare Trading and P. & L. A/cs. for the year ended Dec. 31, 1914, and a B/S. (*a*) 10% Depreciation is to be written off Plant and Machinery, and 5% off Furniture and Fittings, (*b*) 5% Interest is to be allowed on the Partners' Capital and charged to P. & L. A/c., but no Interest is to be charged on Drawings, (*c*) A Reserve for Bad and Doubtful Debts is to be created, amounting to 5% on the Sundry Debtors, (*d*) £12 10s. is to be carried forward for Rates paid in advance, and £15 19s. 11d. for unexpired Insurance, (*e*) £25 is to be reserved for one quarter's Rent due, (*f*) **Stock**, Dec. 31, 1914, valued at £1499 12s. 2d.

Dr. Balances—			
Plant and Machinery	£3426	6	8
Furniture and Fittings	315	10	–
Sundry Debtors	4315	6	10
Sales Returns	247	4	6
Purchases	7046	16	10
General Expenses	121	7	4
Office Salaries	314	10	–
A. Adams, Drawings A/c.	500	–	–
B. Brooks, „ „	400	–	–
Lighting and Heating	46	11	6
Carriage Outwards	127	1	8
Fuel and Power	49	8	1
Rent, Rates and Taxes	184	4	7
Insurance	62	1	6
Discount A/c. (Balance)	19	–	6

Dr. Balances continued—			
Postage and Stationery	£36	19	4
Bills Receivable	197	–	–
Manufacturing Expenses	98	12	7
Carriage Inwards	114	1	11
Stock on hand (Dec. 31, 1913)	2162	14	1
Manufacturing Wages	872	14	6
Cash at Bank	764	7	2
Cash in hand	27	10	9
Cr. Balances -			
A. Adams, Capital A/c.	5161	16	2
B. Brooks, „ „	2580	18	1
Sundry Creditors	1114	15	9
Sales	12472	6	4
Purchases Returns	119	14	–

Answer.—*Gross Profit* £3549 8 1; *Net Profit*, £1630 7 3; *Total of B/S.* £10000.

Exercise 69b. (*Royal Society of Arts, Inter., June*, 1916.)

Q. 1. Explain the advantages which attach to the use of Bills of Exchange by Merchants, and give the form of an Inland Bill of Exchange for £100 payable in three months. **Q. 2.** State where the following transactions should appear in a set of books kept upon the double-entry system :—(*a*) A gas engine, valued at £250, taken as part payment of an a/c. amounting to £490 owing by John Simmon, (*b*) The loss of a £5 note, owing to a street robbery committed upon the cashier.

Ex. 1. The following T.B. was extracted from the books of Graves, Alexander & Co., Ltd., Furniture Manufacturers, on 31st Jan., 1916 :—

Dr. Balances—	
Dividend A/c.	£300
Plant and Machinery	419
Fixtures and Fittings	100
Stock on hand (31/12/15)	1190
Purchases	550
Sales Returns	134
General Exs.	51
Salaries and Wages	183
Discount A/c.	15
Bills Receivable	90
Carriage	9
Phillip Nares	43
Thomas Tree	90
Robert Keys	61

Dr. Balances continued—	
Cash in hand	£25
Cash at Bank	223
Cr. Balances -	
1000 Ord. Shares of £1 each	1000
1000 Pref. Shares of £1 each	1000
P. & L. A/c. (bal 31/12/15)	450
Purchases Returns	73
Sales	860
Discount A/c.	10
Bills Payable	40
Paul Lester	16
Lionel Loraine	19
George Tate	15

Open the Ledger A/cs. for the above balances, and post, through subsidiary books, the following, in 1916 :—Feb. 1, Recd. from P. Nares and paid into Bank, £43 less 2½% dis ; Purchased, on credit, from P. Lester, Timber value £13 3s. 3d. : Paid carriage in Cash, 9s. 7d. ; Sold, on credit, to T. Tree : 6 Dining-room chairs at £1 13s. each, 6 Bedroom chairs at £1 7s. 6d. each, 1 Chest of Drawers, £9 9s. ; B/R. for £50 became due and was met ; Purchased Timber for Cash, £9 18s. 9d. ; Paid in Cash for odd Labour, 16s. 3d. ; Drew cheques in settlement of the amts. owing, as on 31st Jan., 1916, to the three creditors, less 2½% dis. ; Purchased, on credit, from G. Tate :—Tapestry £17 10s., Trimmings £3 16s. 6d., Horsehair £1 4s. 5d. ; Sold, on credit, to R. Keys :—1 Dining-room Sideboard £9, 1 Dinner Waggon £2 10s., 2 Overmantels at £2 15s. each. Feb. 3, Sent Credit note to T. Tree for overcharge of £1 1s. on Chest of Drawers sold to him on the 1st inst. ; Drew and cashed cheque for £20 ; Advanced £10 in Cash as a loan to Frederick Hawley ; Recd. from T. Tree cheque for £50, which was paid into Bank. Feb. 4, Paid, in Cash, the following General Exs. :—Cleaning 19s. 5d., Stationery, 15s., Travelling exs. £1 4s. 6d. ; Sold, on credit, to P. Nares :—2 Library Chairs for £8 each, 1 Hall Stand £7 10s., 1 Chesterfield £15 ; Paid, in Cash, 19s. 6d. for carr. on the above goods, and charged same to Nares. Paid Wages, in cash, £9 16s., less Insce. deductions, 1s. 4d., and purchased Insce. Stamps, 2s. 4d. Balance the Ledger A/cs. and extract a T.B. (*Total Balances* £3553 1 2.)

Ex. 2. W. Price and E. Ackworth were in partnership as engineers. The Partnership Agreement provided that profits and losses were to be shared equally, and that 5% int. was to be charged on Cap. but not on Drawings. On 31st Mar., 1916, the following T.B. was extracted. Prepare Trading and P. & L. A/cs. for the year ended 31st Mar., 1916, and a B/S. (*a*) 10% Depreciation is to be written off Plant, Machinery & Fixtures, (*b*) A Reserve for Bad Debts is to be created, amounting to 2½% of the Sundry Debtors, (*c*) A Reserve for a quarter's rent (£50) is to be made (*d*) Insce. unexpired on 31st Mar., 1916, was £7 3s. 4d., (*e*) **Stock** on 31st Mar., 1916, £1658 14s. 9d.

Dr. Balances—				**Dr. Balances** continued—			
Plant,Machy.&Fixtures	£5672	13	4	Discount A/c. (balance)	£42	7	9
Factory Fuel & Power	54	6	2	W. Price, Drawings A/c.	396	10	–
Office Salaries	374	10	6	E.Ackworth,Drwgs.A/c.	285	14	6
Lighting & Heating ..	39	5	7	Stock (31/3/15)	2172	11	3
Travelling	92	6	7	Manufacturing Exs. ..	267	19	8
Carriage on Sales	95	18	9	Sales Returns	742	2	6
Cash at Bank	112	6	6	Insurance.....	57	6	3
Cash in hand	6	7	3	**Cr. Balances—**			
Sundry Debtors	4706	10	–	W. Price, Capital A/c.	5696	10	–
Purchases	8329	4	1	E. Ackworth „	3026	3	4
Manufacturing Wages	991	9	10	Sales 12617		15	–
Rent, Rates & Taxes	276	14	9	Sundry Creditors	2267	16	9
Office Exs.	271	14	8	Purchases Returns ...	317	6	7
Carriage on Purchases	89	15		Bills Payable.....	642	3	4

Answer.—*Gross Profit* £2000 13 7 ; *Net Loss* £500 ; *Total of B/S.* £11566 11 7.

Ex. 61. Key to Ex. 2. R.S.A., 1906.

Trading A/c. of Smith & Brown, for the year ended 31st December, 1905.

Dr.				Cr.		
	£	£		£	£
To Stock, 1st January, 1905		750	By Sales	£5400	
,, Purchases	£2300		*Less* Returns	150	5250
Less Returns	200	2100	,, STOCK		800
,, Manufacturing Wages		520			
,, Carriage A/c.		100			
,, GROSS PROFIT		2580			
	£	6050		£	6050

Dr. Profit & Loss A/c. for the year ended 31st Dec., 1905. Cr.

	£	s.	£		£
To Rent	120	-		By Gross Profit from Trading A/c.	2580
,, Rent due 25th December	40	-	160	,, Rent for Premises sub-let	20
,, Rates & Taxes			20	,, Discounts A/c.	10
,, Gas & Water			30		
,, General Expenses			270		
,, Salaries			350		
,, Bad Debts £80					
Add Reserve for Bad Debts 107	187	-			
Less Cr. balance of Reserve	150	-	37		
,, Depreciation:—					
Plant & Machinery	50	-			
Furniture & Fittings	15	-	65		
,, Interest on Capital			175		
,, NET PROFIT:—					
S. Smith	751	10			
R. Brown	751	10	1503		
		£	2610	£	2610

BALANCE SHEET of SMITH & BROWN on 31st Dec., 1905.

Liabilities.	£	s.	£	s.	£	Assets.	£	£
SUNDRY CREDITORS					720	Cash in hand	20	
Rent, due 25th December, 1905					40	Cash in Bank	500	
								520
CAPITAL:—						Sundry Debtors	2140	
S. Smith, 1st Jan., 1905	2000	-				*Less* Reserve for Bad and Doubtful Debts	107	2033
Add Interest	100	-						
Add ½ Profit	751	10				Stock		800
	2851	10				Furniture & Fittings A/c.	300	
Less Drawings	450	-	2401	10		*Less* 5% Depreciation	15	285
R. Brown, 1st Jan., 1905	1500	-				Plant & Machinery A/c.	500	
Add Interest	75	-				*Less* 10% Depreciation	50	450
Add ½ Profit	751	10						
	2326	10				Goodwill A/c.		1000
Less Drawings	400	-	1926	10	4328			
					£5088			£5088

Ex. 63. Key to Ex. 2. R.S.A., 1908.

Dr. Profit & Loss A/c. for the year ended 31st Dec., 1907. **Cr**

	£ s.	£ s.		£
To Trade Expenses		6850 -	By Gross Profit brought from Trading A/c.	36150
,, Rates and Taxes		250 -		
,, General Expenses		2640 -		
,, Salaries		1500 -		
,, Insurance		100 -		
,, Discount		1800 -		
,, Bad Debts A/c. £570				
Add Reserve £2625	3195 -			
Less Cr. bal. of Reserve	2600 -	595 -		
,, Interest and Bank Charges		350 -		
,, Depreciation :—				
Land & Buildings	667 10			
Machinery & Plant	2136 -			
Patents	500 -	3303 10		
,, Directors' Fees		500 -		
,, NET PROFIT c/d.		18261 10		
		£36150 -		£36150

	£ s.		£ s
To Remuneration to Managing Director, 10% of the Net Profit	1826 3	By Net Profit brought down	18261 10
,, Reserve Fund A/c.	2500 -	,, Balance from 1906	750 -
,, Amount for Distribution	14685 7		
	£19011 10		£19011 10

BALANCE SHEET of a MANUFACTURING CO., Ltd., on 31st December, 1907.

Capital & Liabilities.	£	£ s.	Assets.	£ s.	£ s.
NOMINAL CAPITAL :			Land & Buildings	22250 -	
15000 Ordy. Shares of £10 each		150000	*Less* 3% Depreciat'n	667 10	21582 10
ISSUED & PAID-UP CAPITAL :			Machinery & Plant	35600 -	
9000 Ordy. Shares of £10 each		90000 -	*Less* Depreciation	2136 -	33464 -
Reserve Fund, 1 Jan. 1907	5000		Patents	5000 -	
Add Amt. from P. & L. A/c. 31st Dec., 1907	2500	7500 -	*Less* Depreciation	500 -	4500 -
			Stock		23700 -
SUNDRY CREDITORS		21750 -	Sundry Debtors	52500 -	
Directors' Fees		500 -	*Less* Reserve for Bad Debts	2625 -	49875 -
Managing Director's Remuneration		1826 3			
BALANCE from P. & L. A/c. for Distribution		14685 7	Cash at Bank	2900 -	
			Cash in hand	150 -	3050 -
			Insurance Prepaid		90 -
		£136261 10			£136261 10

Exercise 89c. (*Royal Society of Arts, Inter, May*, 1917.)

1. What is an "Account Sales?" By whom is it prepared? Give an example. **2.** A. Chandler owed L. Owen £150 6s. 6d. on 1st Jan., 1917. On 2nd Jan., Chandler gave a bill at three months for the amount due. The bill was dishonoured at maturity, but renewed, plus £2 for interest, at one month. Give the entries to record these transactions in L. Owen's books.

Ex. 1. A. Starling, boot factor, has on 31st Dec., 1916, the following Assets and Liabilities :—**Assets :**—Furniture & Fittings, £148 10s.; Stock, £649 12s. 6d.; Bill Receivable (due Jan. 5) £50; Sundry Debtors :—The Grosvenor Shoe Co., £29 3s. 4d.; A. Foot & Son, £19; J. Richardson, £20 7s. 8d.; Cash at Bank, £194 6s. 6d.; Cash in hand, £4 3s. 1d. **Liabilities :**—Loan, £200; Sundry Creditors :—A. Hall & Co., £49 10s.; B. Bamforth, £27 3s. 4d.; Paris Footwear, Ltd., £96 15s. On 1st Jan., 1917, he took B. Sparrow into partnership. In accordance with an agreement, the latter paid £500 for a half-share in the business, one-half of which was credited to his Cap. A/c., and the balance paid out to A. Starling. Open Ledger A/cs. to record A. Starling's position on 31st Dec., 1916, and, assuming that the partnership arrangements were duly carried out on 1st Jan., 1917, post through the proper subsidiary books the following, in 1917 :—Jan. 2. Recd. from the Grosvenor Shoe Co. a cheque for the amount due by them, less 2½% dis.; Sold on credit to J. Richardson, one gross pairs of ladies' shoes at 7s. 9d. per pair, and half a gross pairs of children's shoes at 3s. 6d. per pair; Paid by cash 3s. 6d. for window cleaning; Jan. 3. Purchased on credit from A. Hall & Co., 3 gross pairs of ladies' shoes at 6/- per pair, and paid them the amt. due on 31st Dec. by cheque, less 5% dis.; J. Richardson returned, as being imperfect, 14 pairs of children's shoes, sold him on the 2nd inst.; Sold on credit to the Grosvenor Shoe Co., ½ gross pairs of men's boots at 12/9 per pair; Transferred £250 to Deposit A/c.; Jan. 4. Pd. by cash, carriage 15/-, and stationery 12/6; Drew and cashed cheque for £10 for office purposes; Purchased on credit from B. Bamforth, 3 doz. pairs of men's slippers at 3/- per pair, and paid him £20 on a/c. by cheque; Jan. 5. Bill Receivable due this day was duly met, Sold on credit to A. Foot & Son, 1 doz. pairs of men's boots at 14/6 per pair, and 2 doz. pairs of ladies' boots at 12/- per pair; A. Starling drew a cheque for £10 for private purposes; J. Richardson pd. his a/c., less 2½% dis.; Jan. 6. Pd. wages in cash, £4 10s.; Sold for cash, 2 pairs of boots at 15/- and 17/6 respectively; Gave Paris Footwear, Ltd., a bill £50 at 3 m/d. and pd. them the bal. of their a/c. by cheque less 5% on the whole amt. due to them on 31st Dec. Pd. Office Exs. by cash 14/9. *All amts. rect. were paid into the Bank on the day of receipt.* Balance the Ledger A/cs. and extract a T.B. N.B.—No P. & L. A/c. or B/S. is to be given. (*Total balances*, £1527 7 1.)

Ex. 2. On 31st Dec., 1916, the following T.B. was extracted from the books of the Call Manufacturing Co., Ltd. Nominal

Cap. of £20000, divided into 20000 Ord. Shares of £1 each. Prepare Trading, P. & L. A/cs., and B/S. (*a*) 10% Depreciation is to be written off Plant & Machy., and 5% off Furniture & Fittings. (*b*) The Reserve for Bad Debts is to be made up to an amt. equal to 5% of the Sundry Debtors. (*c*) Insurance unexpired on 31st Dec., 1916, was £5 10s. 6d. (*d*) A portion of the premises owned by the Co. was sub-let, as from 1st July, 1916, at an annual rental of £50, but no rent has been pd. by the tenant or passed through the books. (*e*) The **Stock** on 31st Dec. 1916, was £4402 1s. 5d.

Dr. Balances—				**Dr. Balances continued—**			
Final Call A/c.	£250	–	–	Travelling Exs.	£96	4	11
Freehold Premises	3200	–	–	Plant & Machy.	1942	13	4
Rates, Taxes & Insce.	472	10	7	Repairs	89	14	9
Office & Management Salaries	1292	10	6	Furniture & Fittings	134	6	8
Office Exs.	217	14	11	Cash at Bank	246	9	10
Manufacturing Exs.	192	–	4	Cash in hand	3	4	–
Stock, 31st Dec., 1915	3714	19	–	**Cr. Balances—**			
Manufacturing Wages	6901	1	9	Cap. A/c. (16000 Shares fully called)	16000	–	–
Purchases	10617	15	4	P. & L. A/c. (Bal.)			
Returns inward	307	12	9	31st Dec., 1915	217	5	–
Carr. on Purchases	471	10	4	Dis. A/c. (Bal.)	14	7	3
do. on Sales	314	–	11	Sales	20314	17	10
Sundry Debtors	8617	5	–	Returns outward	196	19	5
Factory, Fuel & Power	172	19	5	Sundry Creditors	3410	5	9
Lighting & Heating	74	16	1	Bills Payable	984	8	1
Goodwill	2000	–	–	Transfer Fee	–	2	6
Audit Fee & Legal Exs.	124	4	9	Reserve for Bad Debts	315	9	4

Answer.—*Gross Profit*, £2535 19 9; *Net Loss*, £417 5; *Total of B/S.*, £20144 13 10.

Exercise 69d. (*Royal Society of Arts, Inter., May*, 1918.)

1. What is meant by the term "Solvency" as applied to a trader? Submit a *pro formâ* statement demonstrating a condition of solvency. **2.** Hugh Dickson accepted a bill (No. 141 for £30) dated 1st Jan., 1918, drawn on him by M. Ravary, payable in three months at the Union Bank, Ltd., London, E.C. Prepare this document as it would appear when duly accepted, and state the tenor and due date of the bill.

Ex. 1. Hugh Dickson has, on 1st Jan., 1918, the following:—**Assets**:—Sundry Debtors:—George Roberts, £159 10s.; William Shean, £92 4s.; Oliver Bell, £71; Cash at Bank, £185 10s. 8d.; Cash in hand, £9 17s. 4d.; Loan to W. Olivers, £100; Stock, £421 8s. 7d.; Plant & Machy., £841. **Liabilities**:—Sundry Creditors:—Arthur Robertson & Co., Ltd., £524 10s. 8d.; William White & Bros., £185 10s.; Bill payable (due 3rd Jan., 1918), £152. Dickson took his brother George into partnership, the latter paying in £500 as capital. Open Ledger A/cs. to record the above and post through the proper subsidiary books, the following:—1918. Jan. 1. Drew and cashed a cheque for petty cash, £20. Purchased, for cash, stationery, £3 8s. 6d.; stamps, £1 10s.; and string, 10s. Jan. 2. Purchased, on a/c., from A. Robertson & Co., Ltd., goods, £150, less 10% trade dis. Jan. 3. Instructed Bankers to pay the bill payable due this day. Recd. from W. Olivers half-year's int. on his loan at 5%, less income tax at 5/- in the £. Jan. 4. Accepted a bill at

three months in favour of White & Bros. for the amount of their a/c. Jan. 5. Purchased, on credit, goods from R. Ravary & Sons, £221 18s. 6d. Sold goods, for cash, £10 15s., and paid same into the Bank. Jan. 7. Returned damaged goods to R. Ravary & Sons, £10 12s. 6d. Jan. 8. H. Dickson drew cheque £25 for private purposes. Jan. 9. Sold, on credit, goods to George Roberts, £284, less 5% trade dis. Jan. 10. Paid wages, in cash, £9 10s. Jan. 11. Purchased, on credit, from the Blank Machinery Co., new machine, £200. Jan. 12. George Roberts paid the a/c. due from him on 1st Jan., less 2½% dis. Jan. 15. Sold, on credit, goods to O. Bell, £150. Jan. 17. O. Bell returned goods, £12 10s., as not up to sample. Paid A. Robertson & Co., Ltd.. by cheque £200 on a/c. Jan. 21. Sold goods, for cash, £12 18s. 6d., and paid same into the Bank. Jan. 22. Drew and cashed cheque for Petty Cash, £20. Paid, in cash, wages, £19 15s. 8d., and Repairs to Machinery, £8 6s. 8d. Jan. 24. Recd. cheque from W. Shean for the amount of his a/c., less 5% dis. Jan. 25. Purchased, by cheque, £250 5% National War Bonds. Balance the Ledger A/cs. and extract a T.B. (*Total Balances*, £3030 16 1.)

Ex. 2. George McArthur was in business as a dealer in cinematograph films and sundries. On 1st Jan., 1917, he admitted his manager, Robert Smart, into partnership on the following terms :—Each partner was to be allowed 5% interest on Capital (to be credited to his drawings a/c.), but no interest was to be charged on drawings. Smart's drawings a/c. was to be credited with a salary of £250 p.a. if the profits were sufficient after charging int. on capital. Profits and Losses were to be shared as to two-thirds to McArthur and one-third to Smart, and dealt with through the drawings a/cs. On 31st Dec., 1917, the following T.B. was extracted. Prepare Trading, and P. & L. A/cs. for the year ended 31st Dec., 1917, and a B/S. (*a*) Depreciate Lanterns & Electrical Plant 25%, Furniture & Fittings 10%. (*b*) The item "Purchases" includes the cost of a film projector, £100, and this item should be transferred to "Lanterns, etc., A/c." (*c*) The stock of films and sundries on 31st Dec., 1917, was £7924. (*d*) The reserve for bad debts is to be made up to an amount equal to 5% on the Sundry Debtors as on 31st Dec., 1917. (*e*) The office expenses a/c. includes insurance premiums, £40 of which represents unexpired risks.

Dr. Balances—G. McArthur, Drawings A/c. £562; R. Smart, Drawings A/c. £260; Stock (1/1/17) £6842; Lanterns & Electrical Plant £400; Furniture & Fittings £350; Purchases £10874; Sales Returns £201; Showroom Wages £982; Office Salaries £875; Sundry Debtors £8260; Cash at Bank £321; Cash in hand £10; Shares in Picture Theatre Co. £2000; Bills Receivable £421; Allowances to Film Renters £138; Showroom Expenses £342; Advertising £1340; Carriage Outwards £243; Travelling Expenses £195; Showroom Rent and Rates £189; Office Exs., Rent, Rates & Taxes £944; Electrical Current (Showroom) £124; Bad Debts £246. **Cr. Balances**—G. McArthur, Cap. A/c. £6000; R. Smart, Cap. A/c. £1000; Purchases Returns £387; Sales of Sundries £3204; Rents for Film Hire £13278; Res. for Bad Debts (1/1/17) £350; Discount & Allowances A/c £182; Dividend on Shares £200; Sundry Creditors £5968; Rents recd. from Sub-Tenants £50; Loan from Bankers £6000.

Answer.—*Gross Profit*, £5339; *Net Profit*, £507; *Total of B/S.*, £19253.

Exercise 69e. (*Royal Society of Arts, Inter., June,* 1919.)

1. Describe the form and functions of a Bill of Lading. **2.** On 29th Nov., 1918, Andorides Freres, Athens, consigned to W. Raleigh, London, 50 cases Turkish Tobacco, each containing 120 lbs., at 4s. per lb. The consignment arrived in London on 31st Dec., and Raleigh accepted a six months' Bill for half the value of the Tobacco, and took delivery in bond. On 4th Jan., 1919, he sold 30 cases to the John & Adam Cigarette Co. for 5s. per lb., receiving payment same day. On 31st Jan., the purchasers requested Raleigh to take the Tobacco out of bond for them, and gave him a 3 months' Bill for the duty, at 8s. 2d. per lb., paid by him. Show the entries in Raleigh's books necessitated by these transactions.

Ex. 1. On 31st Dec., 1918, the X. Trading Co., Ltd., which was registered with a nominal capital of £10000, consisting of 10000 ordinary shares of £1 each, had issued 8000 shares, which were fully paid, with the exception of 5s. per share on 500 shares. The Co. had issued ten 6% Debentures of £100 each. The following balances appeared in the books:—Freehold Premises, £4672; Stock £2115; P. & L. A/c. Debit Balance, £962; Bank Overdraft, £647; Cash, £19; Plant & Fixtures, £1467; Due by:—A. Age, £125; E. Ewart & Co., £92; F. Frost, £401; Due to:—B. Brown, £147; C. Cook & Co., £106; D. Drabble, £48; Debenture Holders, ½ year's Interest, £30. Open Ledger A/cs. to record the above and post through the proper subsidiary books the following. *All moneys recd. were pd. into the bank on the day of receipt, and all payments, except where otherwise stated, were made by cheque.* Balance Ledger A/cs. and extract a T.B. No P. & L. A/c. or B/S. is to be prepared. 1919. Jan. 1. Pd. Debenture Int. (less Income Tax at 6s.). Sold, on credit, 3 gross of articles at 6s. a doz. to F. Frost. Jan. 2. Gave C. Cook & Co. a bill at 3 mos. for amt. due to them. Sold A. Age, on credit, 500 articles at 2/6 each, less trade dis. of 10%. Purchased from B. Brown, on credit, goods to the value of £497, and pd. him £250 on a/c. Jan. 3. Borrowed £2000 from the Bank, lodging as security the deeds of the premises. Recd. from E. Ewart & Co. the amt. due from them, less 2½% dis. Pd. by cash, office exs., £2 10s Purchased for cash, fixtures, £14. Jan. 4. Recd. from A. Age amt. due on 31st Dec., 1918, less 2½%. Drew and cashed cheque for cash purposes, £50. Pd. wages by cash, £39. Jan. 6. A. Age returned 47 articles sold him on the 2nd, and was given a credit note. F. Frost pd. £400 on a/c. Jan. 7. Gave B. Brown a bill at 2 mos. for the amt. due to him, plus 5% by way of Int. Jan. 8. Purchased from B. Brown, on credit, 12 gross articles, at 125s. a gross. Sold F. Frost, on credit, goods to value of £50. Pd. £55 Sch. A. Income Tax, due 1st Jan., on the premises. Pd. by cash, cartage charges, 30s. Jan. 9. Purchased goods, on credit, from G. Graves, to value of £150, paying him 25% on delivery. Returned to B. Brown ½ gross of articles purchased from him on the 8th, and recd. a credit note. Pd. D. Drabble amt. due to him, less 5% dis. (*Total Balances,* £11824 5s.)

Ex. 2. From the following Trial Balance of a Limited Co., prepare Trading, and P. & L. A/cs. for the yr. ended 31st Dec., 1918, and a B.S. (*a*) **Stock** on 31st Dec., 1918, valued at £2962 9s. 7d. (*b*) Depreciation to be written off:—Plant & Machy. 10%, Fixtures & Fittings 5%, Horses & Carts £100. (*c*) Reserve for Bad Debts to be created amounting to 5% of the Sundry Debtors. (*d*) Rates & Insurance unexpired on 31st Dec., amounted to £49. (*e*) A Commission of 1% on the Gross Profit to be credited to the Works Manager, and a Commission of 5% on the Net Profit (after charging the Works Manager's Commission) to be credited to the General Manager.

Dr. Balances—				**Dr. Balances** continued—			
Plant & Machy.	£1972	10	–	Purchases	£9716	10	4
Manufacturing Wages	3496	12	–	Sales Returns	316	10	–
Salaries	1596	10	4	Discount A/c.	92	4	1
Fixtures & Fittings	947	6	8	Bad Debts	148	9	6
Carriage Inwards	198	4	7	Int. & Bank Charges	47	10	–
Carriage Outwards	215	6	11	Cash at Bank	754	1	5
Freehold Works	2500	–	–	Cash in hand	14	10	2
Manufacturing Exs.	945	14	3				
Rates, Taxes & Insce.	417	10	10	**Cr. Balances—**			
Goodwill	3000	–	–	Cap. (Nominal 10000			
General Expenses	814	5	–	Shares of £1 ea.) 8000			
Factory Fuel & Power	127	10	–	Shares fully paid	8000	–	–
Sundry Debtors	7814	10	–	Sundry Creditors	5416	10	–
Lighting & Heating	98	14	7	P.&L.A/c.(31 Dec.,1917)	743	6	–
Stable Expenses	247	6	11	Bank Loan	1000	–	–
Stock, 31st Dec., 1917	3417	8	9	Purchases Returns	114	5	11
Horses & Carts	516	10	–	Sales	£24141	14	5

Answer.—*Gross Profit*, £9000; *Net Profit*, £4545 15s.; *Bal. of Profit*, £5061 15s. 3d.; *Total of B/S.*, £19795 11s.

Exercise 69f. (*Royal Society of Arts, Inter., May*, 1920.)

1. What is a post-dated cheque? **2.** J. B. Clark is a Dry Goods Merchant, and deals in ladies' costumes, Scotch tweeds, velvet and silk. Give a ruling suitable for his Sales Book.

Ex. 1. Martin Ravary is a Wholesale Ladies' Costume and Cloth Merchant. On 1st Jan., 1920, his Assets and Liabilities were as follows:—**Assets:** Furniture & Fixtures, £258; Sundry Debtors:—H. Lyons, £104; B. Bryce, £158; C. Allen, £17; P. Wilson, £21, Stock, £1029: Bill Receivable from B. Bryce (due Jan. 15th, 1920), £62; Cash, £15; Bank, £256. **Liabilities:** Sundry Creditors:—M. Herriott, £129; C. Testout, £241; H. Dickson, £36; Bill Payable to H. Dickson (due Jan. 12th, 1920), **£150.** Open Ledger A/cs. to record the above and post through the proper subsidiary books, the following. Balance Ledger A/cs. as on 22nd Jan., and extract a T.B. 1920. Jan. 1.—Drew and cashed cheque for £100 for Office Cash. Bought for cash 16 Paris model ladies' coats for £47. Jan. 2.—Sold, on credit, to George Dawson, 56 yds. velvet at 30/6 per yd. Jan. 3.—B. Bryce pd., by cheque, £50 on a/c. H. Lyons gave a Bill for 3 mos. for the amt. of his a/c. Bought, on credit, 2 rolls of Scotch tweed at £56 per roll from Robert McGredy & Co. G. Dawson returned 5 yds. of velvet sold him on the 2nd inst., damaged. Jan. 5.—Sold, for cash, two costumes at £6 and

£5 10s. respectively. Pd., in cash, Wages £12 and Office Exs. £2 1s Jan. 8.—Bought on credit, 100 yds. lining silk @ 21/6 per yd. from C. Testout. Jan. 9.—Pd., by cheque, M. Herriott's a/c. less 2½% dis. Jan. 10.—Cash sales to date £38. Sold on credit, 24 costumes at £4 4s. each to P. Wilson, less 5% trade dis. Jan. 12.—H. Dickson's Bill, due this day, was duly met through the bank. Pd. Wages, in cash, £14, and Office Exs. £3 4s. Jan. 14.—Pd., in cash, Carriage £8 6s. Jan. 15.—B. Bryce's Bill, due this day, was duly met through the Bank. Jan. 16.—Bought, on credit, 150 yds blue serge @ 20/- per yd., from M. Herriott, less 5% trade dis. Gave M. Herriott a cheque on a/c. £50. Jan. 17.—Cash sales for week, £92. Jan. 20.—M. Ravary drew cheque £50 for private purposes. Jan. 21.—Purchased, for cash, 8 doz. coat hangers @ 24/- per doz. (Charge to Furniture & Fixtures). Returned 10 yds. blue serge, purchased on the 16th inst., to M. Herriott, as faulty. B. Bryce pd. £100 on a/c. by cheque. Pd. cheque into Bank. Jan. 22.— Pd. cash into Bank, £100.

Ex. 2. From the following Trial Balance of L. Pirrie, prepare Trading, and P. & L. A/cs. for the year ended 31st Dec., 1919, and a B/S. (*a*) **Stock** on 31st Dec., 1919, £1429. (*b*) Write Depreciation off :—Plant & Machy. 10%, Office Furniture 5%. (*c*) Reserve for Bad Debts to be made up to £400. (*d*) Three days' Wages (amounting to £57) had accrued due, but had not been paid on 31st Dec., 1919. (*e*) Unexpired Insurances, amounting to £68, are to be carried forward to next year. (*f*) 5% Int. is to be allowed on Cap., but no interest is to be charged on Drawings.

Dr. Balances—	
Drawings A/c.	£700
Purchases	5221
Sales Returns	182
Stock (1 Jan., 1919)	1146
Salaries	628
Manufacturing Wages	3856
Leasehold Factory	2500
Rent, Rates & Insurance	694
Carriage Inwards	231
Carriage Outwards	324
Office Expenses	228
Factory Expenses	724
Plant & Machy.	2400
Factory Fuel	795

Dr. Balances continued—	
Bills Receivable	£124
Sundry Debtors	3897
Cash at Bank	1240
Cash in hand	221
Office Furniture	350
Travellers' Salaries & Comm.	987
Cr. Balances—	
Capital A/c.	9000
Purchases Returns	424
Sales	14984
Bad Debts Res. (1 Jan., 1919)	324
Dis. A/c. (Balance)	18
Sundry Creditors	1698

Answer.—*Gross Profit*, £4625; *Net Profit*, £1066 10s.; *Capital*, £9816 10s.; *Total B/S.*, £11571 10s.

Exercise 69g. (*Royal Society of Arts, Inter., May*, 1921),

1. How many classes of accounts should you expect to find in the Ledger of a Trader whose books were kept by double entry? Briefly explain the characteristics of each class of account. **2.** Briefly explain the advantages a Trader secures by opening an account with a Banker.

Ex. 1. On 1st Jan., 1921, D. Dennison possessed the following assets : Stock £562 ; Cash at Bank £721 ; Petty Cash £15 7s. 6d. ; Office fixtures and fittings £97 10s. ; Sundry debtors : C. Rambler, £86 15s. ; D. Perkins, £17 2s. 6d. ; L. Gay, £42 10s. His liabilities were : E. Gray (loan) £150 ; Sundry creditors : W. Paul, £73 8s. 6d. ; W. Easlea, £19 19s. 8d. ; J. Jeffries, £98 16s. 10d. ; Bill payable (due 6th Jan., 1921) £100. Half-year's accrued interest at 6% on E. Gray's loan was also owing. On 1st Jan., 1921, he amalgamated his business with that of Paul Noel, who brought in, by way of Capital, Stock £100 ; and Cash (paid into Bank) £400. Open the necessary ledger a/cs. and post the transactions thereto through the subsidiary books. Balance the ledger a/cs. and extract a T.B. as on 29th Jan., 1921. Jan. 1.—Drew and cashed cheque for Petty Cash £35. Jan. 1.—Purchased for cash Stamps £5, and Packing Materials £12 19s. 4d. Jan. 3.—Purchased on credit from W. Paul goods £182 16s., less 10% trade dis. Jan. 5.—Sold on credit to D. Perkins, goods £145 10s. 8d. Jan. 6.—Paid in cash wages and salaries £10 14s. 8d. Bill payable due this day was duly met by Bankers. Jan. 8.—Paid by cheque half-year's interest at 6% on loan from E. Gray, due 31st Decr., 1920, less 6s. in the £ income tax. Returned damaged goods to W. Paul £6 10s. 4d. Jan. 10.—Purchased on credit from J. Jeffries goods £194 12s. 6d. Jan. 11.—Accepted Bill at three months in favour of J. Jeffries for the amt. due to him. Jan. 11. — D. Perkins returned damaged goods £3 12s. Jan. 12.—Sold for cash goods £20 8s. 6d. and paid into Petty Cash. Paid in cash wages and salaries £11 17s. 6d. Jan. 15.—Sold on credit to C. Rambler, goods £87 15s., less 10% trade discount. Jan 18—C. Rambler paid by cheque which was paid into Bank the amount of his a/c., less 5% cash dis. Jan. 20.—Paid by cheque E. Easlea, the amt. of his a/c., less 5% cash dis. Jan. 24.—Purchased for cash new Office Furniture, £5 12s. 4d. Jan. 25.—Sold goods for cash £12, and paid into Bank. Jan. 27.—Drew and cashed cheque for Petty Cash £20. Paid salaries and wages £12 18s. 9d. ; Packing Materials £12 2s. 4d., and Railway Carriage £9 4s. 2d. Jan. 29.—Purchased by cheque £100 National War Loan Bond, for £84 17s. 6d., including expenses. (*Total Balances*, £2536 3s. 11d.)

Ex. 2. O. Fitzgerald carried on business as a manufacturer of rubber heels and sundries. On 1st Jan., 1919, he agreed to admit C. Testout as a junior partner on the following terms :—A Goodwill A/c. of £3000 was to be opened, and a similar amount credited to Fitzgerald's Cap. A/c. Fitzgerald was to draw £40 per month, and Testout £30 per month. No interest was to be charged on drawings, but 5% Int. was to be allowed on Capital. Testout was to pay in £3000 in cash, as his Capital. Testout was to be credited with a salary of £250. Profits were to be shared : as to 2/3rds to Fitzgerald and 1/3rd to Testout. The following Trial Balance was extracted from the books.

Prepare a Factory Working A/c. and a P. & L. A/c. for the year ended 31st Decr., 1919, and a B/S., taking into consideration the following :—(*a*) The following depreciations are to be written off :—Plant and Machinery, 10% ; Office Furniture 5% ; Motor Lorry 20% ; Loose Tools 15%. (*b*) Sundry Loose Tools were made by the firm's workmen, and Wages £92, and Purchases £28, are to be transferred from these a/cs. to Loose Tools A/c. before calculating the above depreciation. (*c*) The Stock was valued at £4092. (*d*) The Reserve for bad debts is to be made up to £500.

Dr. Balances—	
O. Fitzgerald, Drwgs A/c, ...£	480
C. Testout, Drwgs. A/c.....	110
Goodwill	3000
Partnership Salary.....	250
Plant & Machinery.....	2840
Loose Tools.....	520
Sales Returns.....	108
Purchases.....	9684
Machinery Repairs.....	349
Stock (31 Dec., 1918)	3872
Bad Debts	221
Carriage Inwards	462
Carriage Outwards.....	524
Office Salaries.....	1948
Office Expenses	362
Travellers' Salaries & Comm.	1486
Factory Power	1642
Bills Receivable.....	325
Factory Wages	4894

Dr. Balances continued—	
Rent & Rates (factory).....	£1278
Do. (office).....	163
Factory Expenses	821
Insurance (factory).....	248
Do. (office)	29
Cash at Bank	464
Sundry Debtors	9862
Office Furniture	240
Motor Lorry	1400
Cr. Balances—	
O. Fitzgerald, Cap. A/c.....	9000
C. Testout, Cap. A/c.....	3000
Sales.....	27580
Purchase Returns	312
Res. for Bad Debts (31/12/18).	400
Discount A/c.	84
Bank Overdraft	4000
Sundry Creditors	3206

Answer.—*Gross Profit*, £8746 ; *Net Profit*, £2475 ; *Total of B/S.* £21691.

Exercise 69h. (*Royal Society of Arts, Inter., May*, 1922.)

1. A.B., of Rangoon, sold three bales of dry goods (for £36, £21, and £18, respectively) which had been consigned to him by C.D., of Manchester. His payments in respect of these goods were : Dock charges, £3 2s. 4d. ; Cartage, £3 4s. 7d. ; and Insurance, £8. He was entitled to a commission of 2½ per cent. on the gross proceeds. Give the Account Sales which would be sent by A.B. to C.D. **2.** What is meant by the term "double-entry book-keeping"?

Ex. 1. S. Webber, Wholesale Draper, finds his position on 1st Jan., 1922, was as follows :—Trade Debtors : R. Green, £782 10s., B. Black, £232 8s. Trade Creditors : V. Brown, £684 3s., W. White, £984 8s. Bill Receivable : F. Grey (due Jan. 4th, 1922), £160 ; Cash at Bank, £942 ; Office Cash, £51 15s. ; Stock, £1064 18s. ; Fixtures and Fittings, £200 ; Motor Vans, £1200. Open Ledger A/cs. to record the above, and post the following through the proper books :—Jan. 2. Sold on credit to R. Pink, 3 doz. ladies' umbrellas @ 9/9 each, less 10% trade dis. Jan. 3. Drew and cashed cheque £50 for office, and paid in cash Wages, £17 2s. 6d. ; Office Salaries, £12 ; Packing Materials, £16 8s. 5d.

Jan. 4.—Bill Receivable due this day was paid to Bank. Jan. 5.—Purchased on credit from W. White, 2 doz. costumes, at 49s. 7d. each. Jan. 7.—Sold for cash job lots: 122 yds. Jap. silk @ 3/1 per yd., 16 handbags @ 7/6 each. Jan. 10.—Paid in cash Wages £18 1s. 6d., Office Salaries £12; Railway carriage £12 14s. 2d. Jan. 12.—Paid by cheque to V. Brown, £450 on a/c. Jan 14.—B. Black paid by cheque the amount due from him, less 5% cash dis Jan. 17.—Drew and cashed cheque £80 for Office, and paid in cash Wages £16 10s., and Office Salaries £12. Jan 8—Purchased for cash job lines:—300 yds. coating serge @ 2/5 per yd 76 pairs silk stockings @ 4/8 per pair. Jan. 19.—Purchased by cheque new show case £56. Jan. 21.—Paid by cheque W. White £243 18s., less 5% cash dis. Jan. 24.—Sold on credit to R. Green. 6 sets of furs @ 10 guineas per set Jan. 26. R. Green sent cheque for £500 on a/c. Jan. 28. R. Green returned one set of furs, invoiced on the 24th inst. as damaged. (*Total Balances*, £4103 6 8.)

Ex. 2. The Windyridge Horticultural Co., Ltd., was registered with a nominal capital of 30000 shares of £1 each, of which 12500 shares had been issued and fully called up. From the following Trial Balance on 31st Decr., 1921, prepare Trading, and P. & L. A cs. for the year ended 31st Decr., 1921, and a B/S. (*a*) Office salaries (£32) had accrued due as on 31st Decr., 1921, but had not been passed through the books. (*b*) Insurance (warehouse) £12 had been paid in advance. (*c*) Interest for the half-year to 31st Decr., 1921, on the Mortgage, had accrued due, but had not been passed through the books (ignore Income Tax). (*d*) Depreciation to be provided. Motor Lorry, 15%; Loose Tools, 25%; Office Furniture, 5%. (*e*) The Reserve for Bad Debts to be increased to £400. (*f*) Stock valued at £4062.

Dr. Balances—	
Goodwill	£5000
Leasehold Warehouse & Offices	5547
Loose Tools	700
Workmen's Wages	2586
Rent & Rates (warehouse, £750; offices, £120)	870
Purchases	9642
Stock (31 12/20)	3861
Sales Returns	39
Carriage Inwards	127
Carriage Outwards	98
Insurance (warehouse, £92, offices, £26)	118
Office Salaries	697
Directors' Fees	450
Motor Lorry	1200
Office Furniture	320
Interest A/c. & Bank Charges	136
Dr. Balances continued—	
Calls in Arrear	£250
Sundry Debtors	3742
Heating & Lighting (warehouse, £72; offices, £35)	107
Advertising	975
Cash in hand	107
P. & L. A/c. (Bal. (31/12/20)	1198
Cr. Balances	
Share Capital A/c.	12500
Sales	17894
Receipts for constructing gdns.	196
Purchases Returns	94
Discount A/c.	37
Loan on Mortgage at 10%	2000
Sundry Creditors	2520
Bank Overdraft	462
Res. for Bad Debts (31/12/20)	300

Answer.—*Gross Profit*, £6856; *Net Profit*, £3753; *Total of B/S.*, £19919.

Exercise 691 (*Royal Society of Arts, Inter., May,* 1923). **1.** A. Chatenay owed M. Ravary £500, and on 10th Jan., 1932, accepted a B/E. at two mos. Ravary discounted the Bill on 12th Jan., receiving £495 16s. 3d. therefor. On the due date the Bill was dishonoured. Open the ledger a/cs. in the books of Ravary and record the transactions therein. **2.** The following errors were found in the books of C. Drew & Co., affecting the year ended 31st Dec., 1922 :—(*a*) £25, Sales to H. Carver had been posted to his a/c. as £2 5s. (*b*) A purchase of £350 Plant & Machinery had been posted to Purchases A/c. **3.** In the addition of the Returns Inwards Book, a total of £787 had been carried forward as £878. **4.** The Sales Journal had been over added by £68 5s. Give : (*a*) The adjusting Journal entries necessary to correct these errors. (*b*) The adjusted profit for the year—(profit before adjusting errors being £3553 17s. 1d.).

Ex. 1. On 1st Jan., 1923, D. V. Fleet, Tobacconist, possessed assets : Fixtures & Fittings £372 ; Stock £898 ; Debtors : Standard Hotel Co., £178 14s. 2d. ; R. Dunn, £78 2s. 1d. ; Cash at Bank £377 8s. 6d. ; Office Cash £19 10s. 6d. ; B/R. (due 6th Jan.) L. Godiva £50. Liabilities were : Sundry Creditors : H. Hicks £278 14s. 6d. ; Universal Tobacco Co., £472 12s. 4d. ; W. Stone £92 13s. 1d. ; R. Roberts (Loan A/c.) £500. Open a/cs. to record the above, and post the following through the proper books. Jan. 2. Accepted Bill at 3 mos. in favour of the Universal Tobacco Co. for £400. Jan. 3. Purchased on credit from Universal Tobacco Co., 1 gross briar pipes at 3s. 9d. ea., less 10% trade dis. Jan. 4. Cash Sales to date £86 14s. 2d., paid into Bank. Jan. 5. Drew and cashed cheque for office purposes £20. Paid in cash, wages £3 10s. ; Rates £10 8s. 4d. ; Paper and string £3 2s. 6d. Jan. 6. B/R. due this day was paid to Bank. Jan. 7. Paid H. Hicks by cheque amt. of his a/c. less 5% dis. Jan. 9. Sold on credit to Standard Hotel Co., 2000 Kensitas Cigarettes at 50s. per 1000, less 7½% trade dis. ; 12 boxes Larranaga Cigars at 38s. 6d. per box, and 2 doz. pipes at 7s. 4d. ea. Jan. 11. Standard Hotel Co. returned 1 box of Cigars sold to them on the 9th inst. as damaged. Jan. 12. Cash Sales to date paid into Bank, £79 8s. 4d. Jan. 14. Purchased for cash new show case for shop £12 12s. Paid in cash, wages £3 15s. ; paper & string £1 11s. 8d. Jan. 16. Sold on credit to R. Dunn 1000 ½ lb. pkts. pipe tobacco at 15s. 9d. per lb., less 10% trade dis. Jan. 18. Recd. from R. Dunn and paid into Bank, cheque on a/c. for £250. Jan. 20. Paid R. Roberts by cheque £250 on a/c. of Loan, and £1 19s. int. to date. Jan. 24. Cash Sales paid to Bank £78 16s. 1d. Paid cash, wages £3 15s. Balance Ledger. Extract T.B. (*Total Balances,* £2119 2 1.)

Ex. 2. C. Fitzgerald (⅔rds profit) and A. Colomb (⅓rd profit) are in partnership, and on 1st Jan., 1922, they took their Manager, M. Farmer, into the firm. Farmer to be credited with £500 at the close of each year, as a partnership salary, and with 5% on the net profits prior to division. Trial Balance on 31st

Dec., below. Prepare Manufacturing and P. & L. A/cs. and B/S. (*a*) Provide for depreciation : Machinery & Plant, 15% ; Office Furniture, 7½%. (*b*) Expenses owing on 31st Dec. : Wages £123 ; Office Salaries £68 ; Machinery Repairs £163. (*c*) Interest at 5% is allowed on Cap. Interest on drawings to be charged : Fitzgerald £41 ; Colomb £28 ; Farmer £8. (*d*) Provide for 6 mos. int. at 6% due to J. Smith on his Loan on 31st Dec. (*e*) Carry forward £32 Factory Insurance to next year. (*f*) Stock £8787, Loose Tools valued at £1200. (*g*) Reserve 5% on Sundry Debtors for Bad Debts.

Dr. Balances—	
C. Fitzgerald, Current A/c...	£1484
A. Colomb, Current A/c.	863
M. Farmer, Current A/c.	321
Factory & Warehouse	7868
Machinery & Plant	9640
Manufacturing Wages	18767
Loose Tools	1576
Office Salaries & Expenses...	3872
Bad Debts	182
Rates, Taxes & Insurance (Factory £922 ; Office £240)	1162
Travellers' Salaries & Comm.	2326
5% War Loan	967
Purchases	21642
Returns Inwards	324
Audit Fee	55
Carriage Inwards.....	398
Carriage Outwards	632
Cash in hand	78
Cash at Bank	236
Stock (31/12/1921)	5249

Dr. Balances continued—	
Sundry Debtors	£9760
Manufacturing Expenses ...	2684
Factory Power & Light	978
Machinery Repairs	617
Interest A/c.	150
Office Furniture.....	520
Cr. Balances—	
C. Fitzgerald, Cap. A/c.	10000
A. Colomb, Cap. A/c.	8000
6% Loan A/c. (J. Smith) ...	5000
War Loan Interest	38
Sales	57150
Returns Outwards	424
Discount A/c. (Balance)	189
Bad Debts Reserve (31/12/21)	400
Sundry Creditors	9235
Apprentices' Premiums	300
Bills Payable	1265
Factory space & power sublet	350

Answer.—*Gross Profit*, £14876 ; *Net Profit*, £4233 4s. ; *Total of B/S.*, £37115.

Exercise 69j. (*Royal Society of Arts, Inter., June*, 1924.)

1. On 1st Mar., 1924, H. Dickson sold the following, on credit, to Q. Alexander :—10 Indian sq. carpets at £6 12s. ea., 40 pieces cotton sheeting at £5 per piece, 10 cases fancy goods at £3 14s. per case ; all subject to 10% trade dis. On 6th Mar. Alexander returned two carpets and one case fancy goods as damaged. Dickson divides his business into three departments, *i.e.*, Carpets, Cottons, and Fancy Goods, and arranges his book-keeping accordingly. Record the sale and return of the above goods as they would appear in H. Dickson's books. **2.** Explain : Above par, Order cheque, A/c. sales, Negotiable instrument.

Ex. 1. C. Casson and G. Emblem are wholesale grocers, their capital being equal. In addition to capital a/cs., the following balances stood in the books on 31st Dec., 1923 :—Stock, £1026 ; Cash at bank, £790 ; Cash in hand, £68 ; Fixtures & fittings, £428 ; Motor vans, £1057. Sundry creditors : B. Uprichard & Sons, £106 ; J. B. Clark, £138. B/P., C. Christie (due 6th Jan., 1924), £100 ; Landlord (rent due 25th Dec., 1923), £250. Sundry debtors : A. Chatenay, £87 ; C. Testout, £29 ; C. Hayward, £109. Open ledger a/cs. and post thereto, through the proper books, the following :—Jan. 1. A. Chatenay paid, by cheque,

amt. due from him, less 5% cash dis. Jan. 2. Paid by cheque, the rent due to landlord. Jan. 3. Purchased, for cash, job lot of dried fruit, £42. Jan. 4. Drew and cashed cheque, £100, and paid into office cash. Jan. 5. Sold, on credit, to C. Testout, 2 gross tins "Blue & Black" coffee at 24s. 6d. per doz. tins, 8 cwt. sugar at 32s. 6d. per cwt., 10 cases dried fruit at 1s. 6d. per box (ea. case containing 20 boxes), and 2 chests of tea at 26s. per chest. The whole invoice subject to 10% trade dis. Jan. 6. Bankers duly met B/P. due this day. Jan. 8. Paid, in cash, wages, £17 12s. 6d.; railway carr., £9 14s. 10d.; and packing materials, £7 4s. 1d. Jan. 9. Purchased, on credit, from the West Indies Supply Co., 30 cases lime juice at 1s. 2d. per bottle, ea. case containing 2 doz. bottles, less 10% trade dis. Jan. 10. C. Testout returned, as damaged, one chest of tea supplied on the 5th inst. Jan. 12. Accepted bill, at 3 mos., in favour of J. B. Clark for the amt. due to him. Jan. 15. Paid, in cash, wages, £18 4s. 5d.; packing materials, £3 19s. 4d.; and new desk and showcase for office, £37 10s. Jan. 19. Sold, for cash, 56 lbs. of tea at 1s. 9d. per lb., and charged 5s. for boxes. Jan. 20. Paid, by cheque, B. Uprichard & Sons the amt. of their a/c., less 5% cash dis. Jan. 22. C. Casson and G. Emblem drew, by cheque, £20 ea. for private purposes. Balance Ledger, bring down Balances, and extract T.B. (*Total Balances*, £3,255 18s.)

Ex. 2. Berkshire Contractors, Ltd., was registered in 1920 with a nominal capital of £100000 divided into 100000 shares of £1 ea., of which 75000 shares had been issued and fully called. The T.B. of the Co., as on Dec. 31st, 1923, given below. Prepare Working and P. & L. A/cs. and B/S. (*a*) On Dec. 31st, 1923, the following valuations were made: Stock (stores and materials) £3741. Value of work done on uncompleted contracts on hand, £3000. (*b*) Depreciation:—Machinery & Plant, 10%; Office furniture, 5%; Loose tools, 20%. (*c*) The Reserve for Bad Debts is to be further increased by a sum equal to ½% on the Sundry Debtors. (*d*) Reserve £250 for fees due to directors. (*e*) Insurance paid in advance:—Works, £226; Office, £15. (*f*) Write off balance of Preliminary Exs.

Dr. Balances—	
Freehold Works	£25200
Machinery & Plant	42860
Loose Tools	1880
Purchases (stores & materials)	24787
Workmen's Wages	36974
Office Salaries	2796
Directors' Fees	750
Repairs to Machy. & Plant	976
Rates & Insurance (Works, £2268; Office, £141)	2409
Office Expenses	1527
Sundry Debtors	17800
Returns	296
Carriage Inwards	1576
Carriage Outwards	941
Discount A/c. (Balance)	397
Cash in hand	1284
Dr. Balances continued—	
General Expenses (Works, £2976; Office, £201)	£3177
Interest and Bank Charges	424
Stock (stores & materials, 31/12/22)	7896
Office Furniture	680
Preliminary Exs. (balance)	526
Cr. Balances—	
Share Capital A/c.	75000
Contracts Executed	76842
Reserve A/c.	3000
P. & L. A/c. Bal. (31/12/22)	891
Sundry Creditors	10647
Returns	1242
Bank Overdraft	6684
Bad Debts Reserve (31/12/22)	850

Answer.—*Gross Profit*, £6361; *Net Loss*, £5421; *Total of B/S.*, £95581.

Exercise 69k. (*Royal Society of Arts, Inter., May*, 1925).

1. In the olden times when no banks existed, traders were obliged to settle their liabilities by actual cash payments. In these days the majority of traders open a Current A/c. with a bank. Compare the advantages enjoyed in this respect by the modern trader as compared with his predecessors. **2.** Explain : Bank Rate. Gross Loss. Freight. Interest on Capital.

Ex. 1. B. Uprichard holds $\frac{2}{3}$rds Capital and W. Richardson $\frac{1}{3}$rd as Wholesale Drapers. Uprichard lent the firm £500 at 6% int. The following balances stood in the books of the firm on Jan. 1st, 1925 :—Stock, £2742 ; Cash at bank, £1598 ; Cash in hand, £124 ; Furniture & Fixtures, £376 ; Int. due to Uprichard (Loan A c.), £15 ; Bill Payable (R. Smith, due Jan. 10th), £150 ; Sundry Creditors :—W. F. Dreer, £341 ; A. Alexandra, £96 ; M. Morse & Sons, £116. Sundry Debtors :—B. Job, £384 ; R. L. Day & Co., £127 ; K. Kayon, £181. Open Ledger A/cs. and post thereto, through the proper books, the following :— Jan. 1. Paid, by cheque, int. due to Uprichard. Jan. 3. Purchased, for cash, job lot of packing materials, £14 8s. 9d. Jan. 5. Sold, on credit, to B. Job, 23 opera cloaks at £5 5s. ea., and 12 seal coney fur collars at £3 18s. 6d. ea., and charged him 23s. for packing, less 10% trade dis., on the whole invoice. Jan. 7. Paid, in cash, Wages, £36 8s. 7d., Office Expenses, £3 7s. 5d., and Rly. Carr., £13 4s. 1d. Jan. 9. R. L. Day sent a Bill Receivable for £100 and a cheque for £25 in settlement of his a c., claiming £2 as dis., which was allowed. Jan. 10. Bill Payable, due this day, was met by Bankers. Jan. 11. Purchased on credit, from M. Morse & Sons, 6 rolls Donegal tweeds (56 yds. per roll) at 6s. 8d. per yd., and 1½ gross ladies' felt golf hats at 38s. 6d. ea. Packing charges, £3 4s., less 10% trade dis. on the whole invoice. Jan. 14. Paid, in cash, Wages, £37 4s. 1d., and Office Exs., £4 7s. 4d. Jan. 15. Accepted B/P. in favour of M. Morse & Sons for £250 at 3 mos., and paid the bal. of their a/c., by cheque, less £15 allowed as cash dis. Jan. 17. The partners drew, by cheque, £25 each for private purposes. Jan. 19. Sold for cash (which was not paid into Bank), 12 Witney blankets at 12s. 6d. per pr. Jan. 22. Purchased, and paid for by cheque, typewriter, £27 10s., and Strongfast safe, £52 10s. Jan. 23. Drew, and cashed cheque for £50, and paid in cash, Wages, £38 4s. 1d., and Office Exs., £3 17s. 8d. Jan. 24. Paid, by cheque, A. Alexandra, amt. due to him less 5% cash dis. Balance the Ledger and extract T.B. (*Total Balances*, £5578 13s.)

Ex. 2. The Altwood Wireless Engineering Co., Ltd., with a nominal capital of £100000, divided into 100000 Shares of £1 ea. The T.B. of the Co. as on Dec. 31st, 1924, given below. Prepare Working and P. & L. A/cs. and a B.S. (*a*) Depreciation : Machinery & Plant, 10% ; Office Furniture, 6%. (*b*) Expenses paid in advance : Insurance (Factory), £72 ; Rates (Factory), £39. Expenses owing : Wages, £184 ; Office Salaries, £121.

(*c*) The Reserve for Bad Debts to be made equal to 5% of the Sundry Debtors. (*d*) 50% of the loan to R. Smith (a former Manager) is to be written off as bad. (*e*) Six months' int. on the Debentures, due Dec. 31st, 1924, has not been provided for. (*f*) Stock, £35762 ; Motor Lorries valued at £2998.

Dr. Balances—		**Dr. Balances** continued—	
Freehold Factory	£45600	Insurance (Factory, £387 : Office, £62)	£449
Bills Receivable.....	1785	Sales Returns.....	421
Stock (31/12/23)	38971	Cash	324
Machinery & Plant	31640	Carriage Inwards.....	1386
Investments	9875	Carriage Outwards	994
Debenture Interest A/c. ...	625	Motor Lorries.....	3846
Directors' & Auditors' Fees.	1450	Loan, R. Smith	500
Office Furniture.....	750	**Cr. Balances**—	
P. & L. A/c. (Bal. 31/12/23)	1327	Share Capital A/c.....	75000
Sundry Debtors.....	10740	Reserve A/c.	10000
Purchases	106943	5% Mortgage Debentures ..	25000
Factory Wages	15876	Sundry Creditors	10185
Office Salaries	3241	Sales and Work done	152396
Office Expenses	768	Purchases Returns	978
Rates & Taxes (Factory, £1028 ; Office, £295)	1323	Bank Overdraft	3787
Power, Lighting & Heating (Factory)	2364	Bad Debts Res. (31/12/23) .	500
		Interest on Investments ...	421
		Bills Payable	2931

Answer.—*Gross Profit*, £21687 ; *Net*, £9583 ; *Total of B/S.*, £136089.

Ex. 69k. R.S.A. Inter., 1925.

BALANCE SHEET of THE ALTWOOD WIRELESS ENGINEERING CO., LTD.,

on 31st December, 1924.

Capital & Liabilities.		£	**Assets.**		£
NOMINAL CAPITAL :—			Freehold Factory		45600
100000 Shares of £1 each		100000	Machinery & Plant.....	31640	
ISSUED AND PAID-UP CAPITAL		75000	*Less* Depreciation, 10% ..	3164	28476
5% Mortgage Debentures	25000		Office Furniture	750	
Debenture Int. A/c.	625		*Less* Depreciation, 6%....	45	705
		25625	Motor Lorries.....	3846	
Reserve A/c.		10000	*Less* Depreciation.....	848	2998
SUNDRY CREDITORS—			Sundry Debtors :—		
Bank Overdraft..	3787		On Bills Receivable.....		1785
On Open A/cs. ..	10185		„ Open A/cs.	10740	
„ Bills Payable	2931		*Less* Res. for Bad Debts..	537	10203
		16903	Investments		9875
Wages owing	184		Loan to R. Smith.....	500	
Office Salaries owing	121		*Less* amount written off ..	250	250
		305	Stock		35762
NET PROFIT	9583		Cash		324
Less b/f. from 1923	1327		Factory Insurance prepaid	72	
		8256	Factory Rates prepaid	39	111
		£136089			£136089

Ex. 58. **Key to Ex. 2.** R.S.A., 1903.

Dr. **Profit & Loss A/c.** for the year ended 31st December, 1902. **Cr.**

	£	£		£
To General Trade Expenses A/c.		2080	By Gross Profit from Trading A/c.	18021
„ Rates & Taxes A/c.		502	„ Interest & Discounts A/c.	86
„ Office Expenses A/c.		208		
„ Insurance A/c.		382		
„ Repairs A/c.		674		
„ Salaries A/c.		1100		
„ Provisions for Bad & Doubtful Debts		851		
„ Depreciation :—				
Machinery & Plant	1200			
Fixtures & Fittings	360	1560		
„ Interest on Mortgage paid	225			
„ Do. Do. .. owing	225	450		
„ Interest on Capital		1900		
„ NET PROFIT c/d		8400		
	£	18107	£	18107
To Transfer to Reserve Fund 10%		840	By Net Profit b/d	8400
„ BALANCE divisible :—				
S. Serge, ½ share	3780			
C. Cheviot, ½ share	3780	7560		
	£	8400	£	8400

Ex. 58. **BALANCE SHEET** of SERGE & CHEVIOT, on 31st December, 1902.

Liabilities.	£	£	Assets.	£	£
SUNDRY CREDITORS :—			Cash in hand		940
On Bills Payable	4800		Sundry Debtors	17020	
On Open Accounts	27600		*Less* Reserve for Bad & Doubtful Debts	851	16169
Bank Overdraft	4874	37274			
Mortgage on Property	9000		Stock		29450
Interest accrued	225	9225	Machinery & Plant	12000	
			Less 10% Depreciation	1200	10800
Reserve Fund, 1st Jan.	2100				
Add Transfer from P. & L. A c.	840	2940	Fixtures & Fittings	7200	
			Less 5% Depreciation	360	6840
CAPITAL :—			Freehold Premises		26200
S. Serge, 1st Jan., 1902	20000				
Add Interest	1000				
Add ½ Profit	3780				
	24780				
Less Drawings	3535	21245			
C. Cheviot, 1st Jan., 1902	18000				
Add Interest	900				
Add ½ Profit	3780				
	22680				
Less Drawings	2965	19715			
		£90399			£90399

Key to Ex. 69d. Ex. 2. R.S.A., 1918.

Dr. **Trading A/c. of McArthur & Smart,** **Cr.**

for the year ended 31st December, 1917.

	£	£		£	£
To Stock 1st Jan. 1917..		6842	By Sales of Sundries ..	3204	
,, Purchases (*Less* £100 projector)	10774		*Less* Returns....	201	3003
Less Returns	387	10387	,, Rents for Film Hire		13278
			,, STOCK		7924
,, Showroom Wages....		982			
,, ,, Expenses ..		342			
,, ,, Rent & Rates		189			
,, Electric Current Showrooms		124			
,, GROSS PROFIT....		5339			
	£	24205		£	24205

Dr. **Profit and Loss A/c.,** **Cr.**

for the year ended 31st December, 1917.

	£	£		£
To Office Expenses, Rent, Rates and Taxes	944		By Gross Profit from Trading A/c.....	5339
Less Unexpired Insurance Premium	40	904	,, Discount and Allowances.....	182
,, Office Salaries		875	,, Rents from Sub-Tenants.....	50
,, Allowances to Film Renters		138	,, Dividend on Shares..	200
,, Advertising		1840		
,, Carriage Outwards		243		
,, Travelling Expenses		195		
,, Bad Debts A/c.	246			
Add Reserve	413			
	659			
Less Cr. Balance.....	350	309		
,, Depreciation—				
Lanterns and Electrical Plant	125			
Furniture and Fittings ..	35	160		
,, Interest on Capital.....		350		
,, R. Smart's Salary		250		
,, NET PROFIT :—				
G. McArthur, $\frac{2}{3}$rds.....	338			
R. Smart, $\frac{1}{3}$d	169	507		
	£	5771		£ 5771

The **INCOME TAX CHAPTER** in previous editions occupied this position, but owing to the revisions rendered necessary by the Annual Budget and Finance Act, it has been considered advisable to place it at the end of the book, thereby facilitating the printing arrangements. The subject of Income Tax should, however, be dealt with at this stage of the study.

MISCELLANEOUS EXERCISES.

The **Key** to any **one** Exercise in this text book may be had for **1/1 post free,** direct from *Arthur Fieldhouse, P.O. Box A.* 27, *Huddersfield, Yorks.*

Exercise 70 (*Chartered Accountants*).

Prepare Trading, P. & L. A/cs. and B/S. of Tyler & Co., from the following T.B. and particulars as on 30th June, 1900. **Stock** 30th June, 1900, £3750; Rent, £200 a year, is charged to 31st March, 1900; repairs to engine, estimated at £90, a/c. not yet received. Provide 2½% on book debts for discounts, £150 for estimated loss by bad debts, and £20 for int. accruing on loan. (See Key on next page.)

Dr. Balances—		**Dr. Balances**—continued	
Sundry Debtors	£5140	Discounts and Allowances	£258
Bills Receivable	217	Coal, Coke and Engine Exs.	264
Advance on Loan	500	Carriage	206
Cash in hand	44	Incidental Expenses	151
Stock at 30th June, 1899	3020	Commissions	50
Purchases	7386	Bad Debts	97
Wages, productive	4839	**Cr. Balances—**	
Wages and Salaries, unproductive	1045	Sundry Creditors	2692
Travelling Expenses	503	Bills Payable	658
Int. and Bank Charges	173	Bank Overdraft	1065
Stationery, Printing & Stamps	284	Sales	16406
Rates, Rents and Insurance	222	Rents & Steam Power (recd.)	329
		Capital	3249

Answer.—*Gross Profit* £4705; *Net* £1592 5; *Cap.* £4841 5.

Exercise 71 (*Chartered Accountants*).

Prepare Trading, P/L. A/cs. and B/S. of Watson & Co. from the T.B. and particulars given below on 30th June, 1901. **Stock** at the end of the year, £8550. Make provision of 5% on debts for discount and £200 for loss by bad debts.

Dr. Balances—		**Dr. Balances** continued—	
Drawing A/c.	£420	Plant and Machinery	£3500
Stock, 30th June, 1900	8000	Sundry Debtors	4300
Purchases	9500	Land and Premises	6890
Wages	6100	Cash	80
Carriage and Freight	1200		
Coal, Coke	600	**Cr. Balances—**	
Travelling Expenses	450	Capital	14960
Rent, Rates, Insurance	300	Bank Overdraft	145
Trade Expenses	500	Sales	20000
Discounts	65	Sundry Creditors	6800

Answer.—*Gross Profit* £3750; *Net* £1430; *Cap.* £15,970.

FULL KEY to EXERCISE 70.

Dr. Trading A/c. of Tyler & Co. for the year ended 30th June, 1900. Cr.

	£		£
To Stock, 1st July, 1899	3020	By Sales	16406
„ Purchases	7386	„ STOCK, 30th June.....	3750
„ Wages, productive	4839		
„ Carriage	206		
„ GROSS PROFIT	4705		
	£ 20156		£ 20156

Dr. Profit & Loss A/c for the year ended 30th June, 1900. Cr.

	£	s.		£
To Wages & Salaries, unproductive...	1045	–	By Gross Profit brought	
„ Coal, Coke & Engine Exs.	264	–	from Trading A/c.	4705
„ Rates, Rents & Insurance £222 –			„ Rents & Steam	
„ Rent accrued ..... 50 –	272	–	Power	329
			„ Interest on Loan	20
„ Travelling Expenses	503	–		
„ Stationery, Printing & Stamps ..	284	–		
„ Incidental Expenses	151	–		
„ Commissions	50	–		
„ Repairs to Engine	90	–		
„ Interest & Bank Charges	173	–		
„ Discount & Allowances ...£258 –				
Add Reserve for Dis. ... 124 15	382	15		
„ Bad Debts written off .... £97 –				
Add Reserve ..... 150 –	247	–		
„ NET PROFIT	1592	5		
	£ 5054	–	£	5054

BALANCE SHEET of TYLER & CO. on 30th June, 1900.

Liabilities.	£	s.	£	s.	Assets.	£	s.	£	s.
SUNDRY CREDITORS, viz. :—					Cash.....			44	–
On Bills Payable	658	–			Sundry Debtors, viz. :—				
On Open Accounts	2692	–			On Bills Receivable			217	–
Bank Overdraft	1065	–	4415	–	On Open Accounts £5140				
					Less Bad Debts Res. 150	4990	–		
Provision for Outstanding Liabilities :—					*Less* Reserve for Discount @ 2½%.	124	15	4865	5
Rent	50	–							
Repairs to Engine	90	–	140	–	Advance on Loan	500	–		
					Interest accrued thereon .	20	–	520	–
CAPITAL, 1st July, 1899 ..	3249	–							
Net Profit	1592	5	4841	5	Stock			3750	–
			£9396	5				£9396	5

Exercise 72 (*Chartered Accountants*).

Prepare Trading, P/L. A/cs. and B/S. from the following T.B. of Brown & Jones' books, the **Stock** at the close of period being £5294. Share profits and losses equally.

Dr. Balances—		**Dr. Balances** continued—	
Brown's Withdrawals	£732	Repairs and Renewals	£372
Jones' Withdrawals	564	Interest and Discount	932
Purchases	25261	Bills Receivable	640
Investments	732	**Cr. Balances**	
Wages	3640	Creditors	9376
Debtors	11825	Thos. Brown's Capital	15239
Rent	520	Edwin Jones' Capital	12658
Professional Charges	75	Dividend on Investments	72
Cash	32	Loan	400
Land and Buildings	20698	Bankers	325
Machinery	8342	Bills Payable	2364
Salaries	967	Depreciation Fund	2459
Office Expenses	235	Sales	32674

Ans.—*Gross* £9067 ; *Net* £6038 ; *Cap. T.B.* £17526 ; *E.J.* £15113.

Exercise 73 (*C.A.*)

Prepare Trading A/c., P/L. A/c., and B/S. of Brown & Dean from the following T.B. on 31st Dec., 1901. **Stock** £6560. Alfred Brown takes two-thirds and Charles Dean one-third of net profit. The partners are to be credited with 5% int. on the amount at credit of their Cap. A/c. as from previous B/S.

Dr. Balances—		**Dr. Balances** continued—	
Alfred Brown's Drawings A/c.	£1400	General Expenses	£1430
Chas. Dean's Drawings A/c.	800	Cash at Bank	2600
Furniture	440	Cash in hand	20
Debtors	6280		
Purchases	43680	**Cr. Balances**	
Salaries	820	A.B. Cap. A/c. (1st Jan., 1901)	4600
Wages	4380	C.D. Cap. A/c. (1st Jan., 1901)	2800
Stock	7390	Creditors	7630
Rent and Rates	760	Sales	54970

Ans.– *Gross* £6080 ; *Net* £2700 ; *Cap. A.B.* £5230 ; *C.D.* £3040.

Exercise 74 (*C.A.*)

On 1st Jan., 1901, the partners' cap. (which bears int. at 5% per ann.) was thus :—Alf. Addy, £9652 ; Ben Burt, £8421 ; Cecil Caine, £5238 ; and Dan Dodd, £2226. A.A. lends the firm £4000 on 1st July, 1901, and B.B. £2000 on 1st Oct., 1901, both at 5% per ann. The credit bal. of the P. & L. A/c., after debiting it with all charges except int. on partners' a/cs., was £6814 17s. The partners withdrew during the year :—A.A. £520 (interest accrued thereon £24) ; B.B. £430 (int. £16) ; C.C. £350 (int. £12) ; D.D. £230 (int. £10). Prepare P. & L. A/c., and adjust the partners' a/cs. as on 31st Dec., 1901 ; they receiving profits or being charged with losses thus :—A. A. one-half ; B.B. one-fourth ; C.C. one-eighth ; D.D. one-eighth.

Answer.—*Interest on Capital, A.A.* £480 12 ; B.B. £415 11 ; *C.C.* £256 8 ; *D.D.* £109 16. *Net Profit* £5427 10s. ; *Cap. A.A.* £12,426 7s. ; *B.B.* £9788 8s. 6d. ; *C.C.* £5822 16s. 9d. ; *D.D.* £2784 4s. 9d.

Exercise 75 (*C.A.*) ✓

Hy. Pratt, Fred Jones, and John Todd entered into partnership on 1st July, 1901. Pratt brought in as cap. £3000, Jones £2000, and Todd £1000. They were to share profits in the proportion of three-sixths, two-sixths, and one-sixth, but as Jones and Todd were the working partners they were to be credited at the close of each current year, by way of salary, with the respective sums of £250 and £150. Pratt was to be allowed to draw each year as against profits £500, Jones £350, and Todd £250, but int. at 5% was to be charged on such drawings ; the deed also provided that Jones and Todd should have the right to bring in extra cap. not exceeding £1600 each, and that they were to be credited with 5% int. on all capital. On closing books 30th June, 1902, partners had drawn :—

Pratt,		*Jones*,		*Todd*,	
1st Sept.,	£100.	1st Augt.,	£80.	1st Augt.,	£60.
1st Nov.,	150.	1st Sept.,	70.	1st Sept.,	50.
1st Dec.,	200.	1st Oct.,	100.	1st Nov.,	80.
		1st Dec.,	85.	1st Dec.,	20.

On the 1st Oct., Jones brought in as additional cap. the sum of £250 and Todd £400. On making up the books on the 30th June, 1902, and before either the salary or int. to partners had been dealt with, the bal. to the credit of P. & L. stood at the sum of £2200. Make the necessary closing entries, and prepare Cap. and P. & L. A/cs. showing the exact position of the partners on 1st July, 1902.

Answer.—*Net Profit* £1511 10s. 5d., *Cap. H.P.* £3440 15s. 2d., *F.J.* £2765 8s. 1d. ; *J.T.* £1648 16s. 9d.

Exercise 76 (*C.A.*)

Prepare Trading, P/L. A/cs. and B/S. of Arthur Berry, from the following, for the year ending 30th June, 1902.

Cap. of A. B., 1st July, 1901, £15000. Drawings of A. B.	£1500
Stock-in-trade, 1st July, 1901, £8000. Purchases.....	24000
Consignments made by A.B. at cost, and still unsold ..	1000
Wages, £9000 ; Cash Balance	2000
Rents, rates and taxes, and trade exs. at works	500
Fire Insce., of which £35 represents premiums prepaid..	100
Sales (after deducting returns) including consignments..	41000
Rents of cottages belonging to A.B. received during the year	150
Advances on consignments, £500 ; Creditors on open a/cs.	3000

Plant and machinery, depreciation to be provided at 10% £4000
Commission to travellers, £1200 ; Discount Dr. balance .. 1250
B/R. in hand at 30th June, 1902, £4000 ; B/P. current .. 2500
Office rent and salaries of clerks, including incidental exs. 900
Loan from bankers, int. accrued, £25, to be added 2200
Debtors (out of which reserve £400) for doubtful debts .. 6900
Int. on cap. at 5% per ann. to be provided. **Stock** £7500.

Answer.—*Gross Profit* £7500 ; *Net* £2160 ; *Cap.* £16410. *Total of B/S.* £24635.

Exercise 77 (*C.A.*)

Thomas Thacker carried on business for a number of years as a cloth manufacturer, and on 1st July, 1901, he agreed to take his manager, Alfred Barker, into partnership. Thacker's books were made up to that date, and his position was as follows : **Dr. Balances:** Freehold Mill £12500 ; Machinery, Utensils, &c., £2500 ; Office Furniture £200 ; Stock on hand £1750 ; Book Debts £1050 ; **Cr. Balances:** Yorkshire Bank £1425 ; General Crs. £975 ; Thacker's Cap. £15600. The articles of partnership provided that 5% was to be allowed on the partners' cap. and that there should be written off each year as depreciation 2½% from the freehold, 7½% from the machinery and utensils, and 5% from office furniture and book debts. Thacker was to take three-fourths and Barker one-fourth of the net profits. On the 1st of each month Thacker was to draw as against profits £62 10, and Barker £20 16 8. On the 30th June, 1902, **stock** was taken at £2850, and the T.B. of the books was as follows :—Make closing entries, having due regard to the provisions of the articles of partnership, and prepare the P/L. A/c. and B/S.

Dr. Balances—		**Dr. Balances** continued—	
Freehold Mill	£12500	Travelling Expenses	£100
Machinery and Utensils ...	2500	Thacker's Drawings	750
Office Furniture.....	200	Barker's Drawings	250
Book Debts	1850		
Wages and Salaries	3150	**Cr. Balances**—	
General Expenses	95	Yorkshire Bank	950
Freight and Carriage	105	General Creditors	1450
Interest and Discount	70	Thacker's Capital	15600
Taxes	30	Goods A/c.	3600

Ans.—*Profit* £1517 10 ; *Cap. T.T.* £16768 2 6 ; *A.B.* £129 7 6.

Exercise 78 (*C.A.*)

Make the necessary closing Journal entries, and prepare Trading A/c., P/L. A/c. and B/S. of Samuel Johnson's books as on the 31st Dec., 1902, when the T.B. stood as below. **Stock** £866.

Dr. Balances—		**Dr. Balances** continued—	
Stock, 1st Jan., 1902	£902	Wigan Banking Co.	£523
Purchases	4868	Trade Debtors	2540
Salaries	226	Loan Debtor, William Smith	63
Wages	700	Drawing A/c.	400
Carriage and Freight	152		
Rents, Taxes and Insurance	526	**Cr. Balances**—	
Office Expenses	194	Capital A/c.	3000
Discount and Allowances.....	346	Trade Creditors	399
Bad Debts	23	Sales	8073

Answer.—*Gross Profit* £2317 ; *Net* £1002 ; *Cap.* £3602.

Exercise 79 (*C.A.*)

Thos. Hymer and Wm. Stobart carried on business in Co-Partnership as Millers, each having an equal share in the Profits ; and on the 31st Dec., 1901, their Cap. amounted to £7000 ; of which £4000 stood to the credit of Hymer, and £3000 to the credit of Stobart. On the 1st Jan., 1902, they took in as third partner Jas. Brodie, who brought in Cap. to the extent of £3500, and by Deed the Shares in the Co-Partnership were fixed at three-eighths to each of the original partners, and two-eighths to Brodie, each to be credited with int. at 5% upon the amount of his cap. On the 31st Dec., 1902, the books were closed and a net profit was found to have been made of £3000, but no Interest upon Cap. had been charged. Prepare P/L. and Cap. A/cs. showing the position of each partner.

Answer.—*Net Profit* £2475 ; *Cap. T.H.* £5128 2 6 ; *W.S* £4078 2 6 ; *J.B.* £4293 15.

Exercise 80 (*C.A.*)

Prepare Trading, P/L. A/cs. and B/S. of Smith & Jones, Potters, from the following T/B. on 30th Sept., 1903. *Stock*, 30th Sept., 1903, £1200 ; Write off Depreciation of Plant and Machinery, &c., £100 ; Credit H. Jones with £100 for management. Credit partners with int. on Cap. at 5% less Int. on Drawings (J.S. £2, H.J. £8). Divide profits equally.

Dr. Balances—		**Dr. Balances** continued—	
Smith's Drawing A/c.	£50	Carriage and Carting	£50
Jones' Drawing A/c.	320	Sundry Purchases	50
Machinery, Plant, Tools, Horses, Carts, &c.	1700	Bank Charges & Interest	40
Stock, 1st October, 1902	1000	Incidental Expenses	70
Cratewood (Trading A/c.)	70	Rents, Rates & Taxes	150
Gas and Water	20	Advertising, Stationery and Printing	20
Repairs, &c.	120	Debtors	1620
Clay Purchases	350	**Cr. Balances**—	
Straw Purchases	120	John Smith Capital A/c.	2000
Coal and Fuel (Trading A/c.)	1000	Hy. Jones Capital A/c.....	1000
Wages	2700	Sales, Earthenware	6000
Horse & Cart Expenses	100	Sales, Charged for Packing and Crates	200
Travelling Expenses	100	Sundry Creditors	500
Bad Debts	100	Bank Overdraft	550
Discount & Allowances	500		

Ans.—*Gross* £2060 ; *Net* £500 ; *Cap. J. S.* £2298 ; *H.J.* £1072.

Exercise 81 (*C.A.*)

Prepare P/L. A/c. and B/S. of William Beaumont for the half-year ended 31st Dec., 1902, from the T.B. below. *Stocks* 31st Dec., Iron Bars, £1000 ; Tools, £700 ; Wire, £400 ; Bricks, nil ; Merchandise, £160. Write off one-half of goodwill, and 10% from Fixtures and Furniture. Credit half-year's int. at 5% per ann. on Loan and also on Cap. Further Reserve for Income Tax £86.

*The *five starred* A/cs. have been debited with the stocks on 30th June, 1902, and with purchases, and credited with Sales.

Dr. Balances—	
Debtors as per Schedules ...	£6410
Bills Receivable	450
Fixtures and Furniture	300
Goodwill	700
Rich's Bank, Ltd.	2300
German's Bank	500
Cash	20
W. B. Drawing A/c.	530
Rent and Rates	110
Insurances	120
Travelling	650
Salaries	560
Advertising & Stationery	250
Telegrams & Stamps	190

Dr. Balances continued—	
Bank Charges	£50
Discounts & Exchanges	280
Office & Incidental Expenses.	210
Cr. Balances—	
Creditors as per Schedule ...	3900
Income Tax Reserve A/c. ...	100
Capital A/c.	5000
Iron Bars A/c. balance	500*
Tools A/c. balance	1800*
Wire A/c. balance	750*
Bricks A/c. balance	400*
Merchandise (Sundries) A/c.bal.	180*
Loan A/c.	1000

Ans.—*Net Profit*, £2854 ; *Cap.*, £7449 ; *Total of B/S.* £12,560.

Exercise 82 (*C.A.*)

A London Australian Trading house has the following position at 1st Jan., 1903 :—Cap. A/c.—John Wise, £10000 ; Wm. Tate, £9000 ; Stocks at home, £896 ; Stocks at Melbourne, £8320 ; Machinery and Fixtures, £1000. Transactions during 1903 :— **Dr. Balances:** Purchases, £32360 ; Salaries, £250 ; Wages, £1750 ; Freight and Charges, £2830 ; Trade Exs., £870 ; Rent, Rates, and Fire Insurance £620 ; J. W., Drawings (without interest) £650 ; W.T. Drawings (without interest) £650 ; Bank Charges and Int., £110 ; Bad Debts written off, £280 ; **Cr. Balances:** Sales, £39860 ; Discounts recd., £270 ; Commission recd., £1000.

At 31st Dec., their Assets and Liabilities are as follows :— Debtors, £8983 ; Stocks at home, £1240 ; Stocks at Melbourne, £9080 ; Cash in hand, £360 ; B/R. on hand, £2990 ; B/P. £3200 ; Bankers Overdraft, £2689 ; Creditors, £900 ; Advances on homeward consignments, £4000. Prepare Trading and P/L. A/c. and B/S. Provide for int. on Cap. at 5% per ann. ; Depreciation on Machinery, &c., £100 ; Dis. on Debtors, £115 ; Res. for Doubtful Debts not written off, £398. Profits equally divided.

Answer—*Gross Profit*, £4024 ; *Net*, £1601 ; *Cap., J. W.* £10650 10 ; *W.T.* £9600 10 ; *Total of B/S.* £27040.

Exercise 83 (*C.A.*)

After writing up the Trading A/c. of the Goole Engineering Co., on 30th Sept., 1904, the following balances stood in the books.

Complete the P/L. A/c., crediting each partner one year's int. at 5% on cap. and a half-share of the net profits. Also prepare B/S.

Dr. Balances—	
Debtors	£2800
Bills Receivable	2200
Plant, Machinery and Tools	3000
Office Furniture	100
Horses and Conveyances ...	500
Bankers	850
Cash	90
Leasehold Premises	2880
Interest A/c.	60
Stock-in-trade	4020

Cr. Balances—	
Creditors	£1200
Bills Payable	2060
Trading A/c. balance	1080
Provision for Outstanding Liabilities	120
Provision for Discounts and Loss on Debts	240
Robert Roberts' Capital A/c.	5000
William Wilson's Capital A/c.	6800

Answer.—*Net Profit*, £430 ; *Cap. R.R.* £5465 ; *W.W.* £7355.

Exercise 84 (*C.A.*)

John Hopkins and Wm. Thompson are in partnership. Hopkins is entitled to three-fourths of the profits, and Thompson to one-fourth. Their **Stock** on 31st Dec., 1903, is worth £5773 16 5, and they are each entitled to 5% Int. on Cap. Make out the Trading, P/L. A/cs. and B/S. of the Firm and the individual a/cs. of the partners.

Dr. Balances—		**Dr. Balances** continued—	
Hopkins' Drawings, including Interest	£900	Wages	£4553
Thompson's Drawings, including Interest	255	Rent, Rates and Taxes	3244
Stock, 1st Jan., 1903	6014	Repairs	202
Debtors	16997	Salaries	1624
Cash	3489	Office Expenses	271
Auditors' Fees	105	Purchases	36300
Bad Debts	90	**Cr. Balances**—	
Cartage	1019	Hopkins' Capital	10900
Discount and Allowances	2509	Thompson's Capital	5500
Fire Insurance	67	Creditors	7419
		Sales	53820

Answer.—*Gross Profit* £11707 16 5 ; *Net* £2775 16 5 ; *Cap. J.H.* £12626 17 4 ; *W.T.* £6213 19 1 ; *Total of B/S.* £26259 16 5.

Exercise 85 (*C.A.*)

Prepare Trading & P/L. A/cs. of Messrs. Walter Lee & Co. for the year ended 30th Sept., 1904, dividing profits equally.

Provide £150 for loss on debts and £200 for discounts. **Stock** on 30th Sept., 1904, was £3600.

Dr. Balances—		**Dr. Balances** continued—	
Iron and Steel	£9950	Stock	£3500
Goods and Materials	800	Plant, Machinery, &c.	2500
Coal and Coke (Trading A/c.)	900	Loose Tools, &c.	1000
Carriage and Cartage	880	Trade Expenses	600
Wages	3760		
Salaries	350	**Cr. Balances**—	
Rent, Rates and Insurance	280	Discounts A/c.	20
Cash	100	Bad Debts A/c.	100
Bags & Packing (Tradg. A/c.)	300	Sales A/c.	19000
Repairs and Replacements of Buildings	200	Bank Overdraft	1200
Repairs and Replacements of Machinery, &c.	250	Creditors	1050
Debtors	4000	Mortgage, Loan on	3000
Leasehold Premises	5000	Walter Lee's Capital	5000
		Bruce Lee's Capital	3000
		George Lee's Capital	2000

Answer.—*Gross Profit*, £2510 ; *Net* £600.

Exercise 86 (*C.A.*)

Prepare P/L. A/c. and B/S. of James Brown from the following T.B. on the 31st Dec., 1903.

Dr. Balances—		**Dr. Balances** continued -	
Drawing A/c.	£1041	Fire Insurance	£8
Fixtures and Fittings	35	Interest and Discount	212
Wages	450		
Bills Receivable	48	**Cr. Balances**—	
Trade Expenses	61	Capital A/c.	4807
Stock, 31st Dec., 1903	1030	Doubtful Debts Reserve	619
Rent	135	Reserve Discounts	42
Interest on Capital	117	Sundry Creditors	1148
Sundry Debtors	2735	Balance of Goods A/c. (after adjustment of Stocks)	2147
Cash	2891		

Ans.—*Net Profit* £1164 ; *Capital* £4930 ; *Total of B/S.* £6078.

Exercise 87 (*C.A.*)

William Dove, carpet merchant, agreed to take into partnership his manager, John Skelton, from 1st Jan., 1904, upon the following terms—the share of profits was to be as to two-thirds to Dove, and as to one-third to Skelton. Dove was to be credited with 4% int. upon his cap., and Skelton with a yearly salary of £100 and with 10/-% upon the gross sales. The following B/S. of Dove as on the 1st Jan., 1904, was agreed to and signed by both parties.

Sundry Creditors	£950	Stock-in-Trade	£2874
Cap. A/c.	4350	Furniture, Fittings, &c.	176
		Book Debts	1500
		Bradford Banking Co.	750

On the 31st Dec. the following was the T.B., the stock at the 1st Jan., 1904, being included in the Purchases A/c. The **Stock** on 31st Dec., 1904, was valued at £4060. Make closing Journal Entries, giving effect to the provisions of the partnership as well as to int. on cap. as to salary and com. on sales, and prepare Trading, P/L. A/cs. and B/S.

Dr. Balances—		**Dr. Balances** continued—	
Purchases A/c.	£12500	Dove's Drawing A/c.	£400
Rent, Taxes and Insurance	450	Skelton's Drawing A/c.	200
Carriage and Freight	700		
Salaries	200	**Cr. Balances**—	
Wages	550	Dove's Capital	4350
Office Expenses	100	Sales A/c.	11350
Debtors	1850	Creditors	1250

Answer.—*Gross Profit*, £1660; *Net*, £579 5s.; *Cap. W. D.* £4510 3s. 4d.; *J. S.* £149 16s. 8d.; *Total of B/S.* £5910.

Exercise 88 (*C.A.*)

Sam Yates and Dan Zeno commence trade in partnership on 1st July, 1904, with Cap. £8000, of which £5000 are brought in by Y., and £3000 by Z. They take 5% per ann. int. on cap., and charge no int. on drawings. Divide profits :—Y., five-eighths; Z., three-eighths. On 31st Dec., 1904, they find their T.B. as below.

Prepare Trading, P/L. A/cs., B/S. and Cap. A/cs., charge 10% per ann. depreciation on fixtures, &c., and reserve £250 for bad debts. **Stock** at 31st Dec., £8840.

Dr. Balances—		**Dr. Balances** continued—	
Cash	£56	Fixtures and Furniture	£980
Purchases	24020	Y's Drawing A/c.	600
Wages	1100	Z's Drawing A/c.	400
Salaries	324	**Cr. Balances**—	
General Expenses	1260	Capital A/cs.	8000
Rent and Taxes	520	Due to Bankers	2380
Interest and Discount	439	Sales	20630
Debtors	5575	Creditors	4264

Ans.—*Gross* £4350, *Net* £1308, *Cap. Y.* £5342 10s., *Z.* £3165 10s. *Total B/S* £15152.

Exercise 89 (*C.A.*)

Wm. Johnson took into partnership John Sutcliffe on 1st Jan., 1904, upon the following basis :—**Assets:**—Machinery, £2500 ; Stock, £2250 ; Book Debts, £1250 ; Yorkshire Bank, £750. **Liabilities:**—Creditors, £750 ; Wm. Johnson Cap. £6000. The freehold premises were the property of Johnson, and his Drawing A/c. was credited each half year with £125 as rent. Sutcliffe was to bring in as cap. £3000, and the respective shares were fixed at five-eighths to Johnson and three-eighths to Sutcliffe, the latter being considered acting partner. On the 31st Dec., 1904, the T.B. was as below. **Stock** was valued at £3750. No int. was to be charged on the drawings. Prepare Trading, P/L. A/cs. and B/S., and journalise closing entries.

Dr. Balances—		**Dr. Balances** continued—	
Machy., Fixtures & Fittings	£3500	Sutcliffe's Drawing A/c.	£350
Purchases, including Stock 1st January, 1904	14950	Debtors	2350
Salaries	450	Yorkshire Bank	1500
Wages	1600		
General Expenses	500	**Cr. Balances**—	
Rent	250	Johnson's Capital A/c.	6000
Repairs, Alterations and Maintenance.....	150	Sutcliffe's Capital A/c.	3000
Johnson's Drawing A/c.	700	Sales	16300
		Creditors	1000

Ans.—*Gross* £3500 ; *Net* £2150 ; *Cap. J.* £6643 15s. ; *S.* £3456 5s. *Total B/S.* £11100.

Exercise 90 (*C.A.*)

Adam Bede, Ben Binns, and Cecil Clive commence business on 1st Jan., 1904, with Cap. £15000. A has £7000, B £4500, and C £3500, and they divide profits and losses in the same proportions. On 31 Dec., their T.B. is as below. Prepare Trading, P. & L. A/cs., Cap. A/cs. and B/S., allowing 5% int. on Cap., charging 6% Depreciation on Plant, &c., and reserving £1000 for Losses on Consignments. **Stock** £9870.

Dr. Balances—		**Dr. Balances** continued—	
Stock, 1st January	£9240	B's Drawing A/c.	£600
Purchases	41333	C's Drawing A/c.	550
Salaries	620	**Cr. Balances**—	
Wages	2020	A's Capital	7000
Trade Expenses	840	B's Capital	4500
Interest and Discount	1008	C's Capital	3500
Losses in Exchange	1686	Sales	20522
Plant and Fixtures	1650	Consignments.....	27060
Debts and Consignments ...	16595	Commissions	2644
Cash	74	Creditors	8200
Bank	1360	Loan A/c.	5000
A's Drawing A/c.	950	Loan Interest.....	100

Answer.—*Gross Profit,* £4859 ; *Net* £1500 ; *Cap. A.A.* £7100 ; *B.B.* £4575 ; *C.C.* £3475 ; *Total of B/S.* £28450.

Exercise 91 (*C.A.*)

Wm. Jones in retiring from business agrees to dispose of it to Cecil Hall and Hy. Coates. The **Assets** consist of :—Debts, £5600 ; Stock, £3800 ; and Plant, £2400 ; and **Liabilities** which are to be discharged by the successors are £3800. They bring in as Cap. £1500 each, and the bal. due to W. J. is to be subject to int. at 5% per ann. chargeable half-yearly, such balance to be paid by instalments of £500 each half-year. They are also to pay £1000 for Goodwill out of the Profits at the rate of one-fifth of the Profits each half-year without int. The profits have been as follows :—1st half-year £860 ; 2nd £980 ; 3rd £1060 ; 4th £1200; 5th £1080 ; 6th £1240 ; from which the int. on unpaid Purchase has to be deducted before calculating the one-fifth. Show first B/S. of Hall & Coates ; Goodwill A/c. up to its extinction, also Appropriation A/c.

Answer.—*Total of B/S.* £15800. *1st payment of Goodwill* £132 ; *2nd* £157 10 ; *3rd* £175 - 9 ; *4th* £204 12 3 ; *5th* £182 4 7 ; *6th* £148 12 5. *Balance due to Jones after the payment of 6th Instalment* £6083 13 6.

Exercise 92 (*C.A.*)

A publishing firm, the partners in which Fred France, Geo. Gill and Hugh Hill, shared profits equally, agreed, as from the date of the B/S. which is appended, to admit a fourth partner, Isaac Isles, to take an equal share, who was to bring in £10000, and, in addition, pay £5000 for Goodwill, which the other partners were to be entitled to in equal portions and were to leave in the business. It was stipulated that from the book debts should be deducted 3½% for contingency of bad debts, and then an allowance of 2½% for cash discount. The stock was to be taken at a discount of 6¼% from the B/S. figures, and the copyrights, printing plant, fixtures and furniture, and the leasehold premises were to be taken at valuation—and they were valued respectively thus :—Copyrights £55000 ; printing plant £17200 ; fixtures and furniture £1275 ; and leasehold premises £8500. The other Assets and Liabilities (as shown in the following B/S. of F. G. & H. on 31st Dec., 1905) were to be accepted as shown.

Creditors	£7165	Cash at Bank	£950
B/P.	15050	B/R.	510
Capital of Fred France	28700	Book Debts	7470
„ George Gill	20450	Stock	6045
„ Hugh Hill	24710	Copyrights	51400
		Printing Plant	18300
		Leases	9600
		Fixtures and Furniture	1800

Prepare a new B/S., giving effect to the alterations, and to the payment into the Bank by Isles of £15000.

Answer.—*Profit on admission of Isles,* £5055 10 6 ; *Capital F.F.* £30385 3 6 ; *G.G.* £22135 3 6 ; *H.H.* £26395 3 6 ; *I.I.* £10000. *Total of B/S.* £111130 10 6

Exercise 93 (*C.A.*) ✓

By the partnership deed of a manufacturing firm consisting of four members, Alec. Allen, Ben Binns, Cecil Cash and Dan Day, it was provided that in the event of the death of any partner before the expiration of the partnership by effluxion of time on 31st Dec., 1909, there should be paid to the legal representatives of the deceased the amount appearing to his credit on 31st Dec.. next preceding the death, together with int. thereon at 5% per ann. to 31st Dec., following the decease, and a share of the profits of the year of his decease corresponding to the number of days that he lived during it, calculated after the rate of the average of his share for the last three completed years, together with int. on such shares from the date of death to the end of the year. The four partners shared profits equally, and each took int. on his cap. at 5% per annum, but no int. was charged on the drawings, for each drew at the end of every month an equal sum in anticipation of profits. The surviving partners were to share the profits equally. C. died on 30th June, 1903. The profits of the three immediately preceding years had been respectively £14000, £15600, and £12700. The proportion payable in respect of a deceased partner's int. and profits it was stipulated by the articles of partnership should be treated as a trade expense of the year in which he died. With the aid of the following T.B. on 31st Dec., 1903, taken out before int., depreciation, and an amount in lieu of factory rent have been charged, prepare Manufacturing and P/L. A/cs. for 1903, allowing £500 for depreciation of plant, £50 for depreciation of office fixtures and furniture, and 5% on the amount of the freehold property (as appearing T.B.) for factory rent.* Also construct a B/S. showing what was due to the deceased's estate and what cap. stood to the credit of each of the surviving partners. **Stock,** 31st Dec., 1903, £25000. (*C.C.'s Profit & Int.* £1792 1 5.)

Dr. Balances—	
A. Drawing A/c.	£2400
B. Drawing A/c.	2400
C. Drawing A/c.	1000
D. Drawing A/c.	2400
Stock, 1st January, 1903	20000
Purchases A/c.	355000
Factory Wages*	50000
Cash in hand and at Bank	5900
Bad Debts	3200
Bills Receivable	3000
Salaries	800
Office Expenses, General	500
Sundry Debtors	82800
Travelling Expenses	2000
Factory Rates and Taxes*	200
Dr. Balances continued—	
Office Rent and Taxes	£400
Freehold Factory	12000
Plant	3000
Office Fixtures and Furniture	500
Interest Paid	1500
Cr. Balances—	
A. Capital A/c.	24000
B. Capital A/c.	22000
C. Capital A/c.	20000
D. Capital A/c.	18000
Discount	4000
Sales A/c.	422000
Bills Payable	10000
Sundry Creditors	30000

***N.B.**—It is presumed that the Examiner intended the Factory Charges to be debited against the Trading a/c. so as to show the gross profit on the Factory. Rent must also be credited to the P. & L. A/c.

Ans.—*Gross* £21,200; *Net Profit* (*after deducting C.C.'s share*) £9857 18 7; *Cap. A.A.* £26085 19 7; *B.B.* £23985 19 6; *D.D.* £19785 19 6; *C.C.'s exors.* £21792 1 5; *Total of B/S.* £131650.

Exercise '94 (*C.A.*)

Wm. Denham and Hy. Lloyd entered into co-partnership as marble merchants and contractors at Leicester, on 1st Jan., 1905. Lloyd's cap. was £1000, Denham's £4000. Profits or losses to be shared equally. 5% was to be credited each partner in respect of his cap., and the drawings were limited, in the case of Denham to £500, and in that of Lloyd to £400, int. to be charged thereon at 5%, but Lloyd was to be credited with £25 each quarter as salary for management. On 31st Dec. last, the T.B. of their books was as follows, but no int. had been charged either upon the cap. or upon drawings, nor had Lloyd been credited with his salary. The **Stock** was taken and amounted to £3750, and the drawings of the partners had been as follows :— Denham, 1st Feb., £50 ; 1st April, £100 ; 1st June, £50 ; 1st Aug., £50 ; 1st Oct., £100 ; and 1st Dec., £50. Lloyd, 1st Feb., £25 ; 1st Mar., £37 10 ; 1st May, £62 10 ; 1st June, £50 ; 1st Aug., £25 ; 1st Sept., £37 10 ; 1st Nov., £62 10 ; and 1st Dec., £50. Prepare through Journal Entries, a Trading, P/L. A/c. and B/S. giving effect to the respective partnership terms as to int. on cap. and drawings ; partner's salary and division of profits.

Dr. Balances—	
Purchases	£3850
Salaries	450
Wages	1300
Rent, Rates and Insurance	750
Int., Dis. and General Charges	350
Carriage and Freight	250
Repairs and Depreciation	150
Buildings	2500
Plant & Tools	1500
Dr. Balances continued—	
Denham's Drawings	£400
Lloyd's Drawings	350
Debtors	4650
Cr. Balances—	
Sales	10000
Creditors	1500
Denham's Capital	4000
Lloyd's Capital	1000

Answer. *Gross Profit* £8350 ; *Net* £6318 2s. 6d. ; *Cap. W. D.* £6949 1s. 3d. ; *H. L.* £3950 18s. 9d. ; *Total of B/S.* £12400.

Exercise 95 (*C.A.*)

Prepare from the following T.B. and particulars, Trading, P/L. A/cs. and B/S., as on 30th June, 1906, of William Waller, Silversmith. **Stock** at 30th June, 1906, £8350 ; Depreciation of Plant, &c., 5%. Provision for loss on debts, £250, and for Dis. on Book Debts 2½%.

Dr. Balances—	
Incidental Expenses	£500
Withdrawals	1650
Wages	17540
Salaries	3005
Travelling Expenses	1430
Rent, Rates and Taxes	1850
Insurances	90
Advertising	650
Commission	245
Discount and Allowances	700
Bank Interest and Charges	50
Packing, &c.	350
Purchases	10540
Plating	4500
Sundry Exs. (Manufacturing)	3150
Bad Debts	260
Dr. Balances continued—	
Cash	£105
Debtors	20250
Stock, 1st July, 1905	9560
Bills Receivable	5570
Plant, Machinery and Tools	4250
Cr. Balances—	
Bills Payable	2600
Rents from Sub-lettings	190
Creditors	2300
Capital	9910
Bank Overdraft	950
Sales and Charges :	
Finished Goods	65670
Repairs, &c.	4325
Packages, &c.	400

Answer.—*Gross* £33105 ; *Net* £23452 10s. ; *Cap.* £31712 10s. ; *Total of B/S.* £37562 10s.

Exercise 96 (*C.A.*)

Prepare Trading, P/L. A/cs. and B/S. as on 30th June, 1906, of Messrs. Sykes Bros., sharing profits in proportion to cap. Write depreciation off plant and machy. at 5%, off loose tools at 15%. Charge int. at 4% on partners' cap. **Stock** on 30th June, 1906, £6000.

Dr. Balances—	
Land and Premises	£9000
Plant and Machinery	4000
Loose Tools	1500
Stock, 1st July, 1905	4500
Purchases	11000
Wages	6000
Carriage	800
Coal and Coke (Trading A/c.)	1200
Salaries (Manufacturing)	1500
Clerks and Travellers	500
Rates and Taxes	450
Discounts and Allowances	600
Bank	2000
Dr. Balances continued—	
Cash	£40
Debtors	5000
Repairs and Replacements	800
Works Extension A/c.	3000
Bad Debts	30
Returns	230
Cr. Balances—	
Alb. Sykes Capital	8000
Henry Sykes Capital	7000
Seth Sykes Capital	5000
Rents	150
Creditors	1500
Goods sold	30500

Answer.—*Gross Profit*, £11270; *Net*, £7815; *Cap. A.S.*, £11446; *H.S.*, £10015 5s.; *S.S.*, £7153 15s.; *Total of B/S.*, £30115.

Exercise 97 (*C.A.*)

Prepare Trading, P/L. A/cs. and B/S. of Messrs. Chalk & Co., after making following provisions:—Bad Debts, £150; Discounts, on debtors' bals. only 3½%; and Trade Exs., £205. **Stock** 30th June, 1906, £22600. Divide profit in proportion to capital.

Dr. Balances—	
Debtors	£11500
Cash	50
Freehold Property	10000
Plant and Machinery	2500
Loose Tools, Horses, &c.	1550
Stock, 1st July, 1905	15000
Purchases	18500
Carriage and Freight	1500
Wages (Labour)	3200
Office Salaries	800
Rates and Insurance	1550
Repairs	300
Trade Expenses	1200
Dr. Balances continued—	
Discount and Allowances	£900
Bad Debts	200
Bank Interest and Charges	250
Interest on Mortgage	200
Partners' Salaries	900
Cr. Balances—	
Creditors	7500
Bankers for Overdraft	3000
Mortgage	5000
Jas. Chalk's Capital	18000
Hy. White's Capital	12000
Credit Sales	20500
Cash Sales	4100

Answer.—*Gross Profit*, £9000; *Net*, £1947 15s.; *Cap. J. C.*, £19168 13s.; *H.W.*, £12779 2s.; *Total of B/S.*, £47652 15s.

Exercise 98 (*C.A.*)

Asa Abbey, Ben Brook, and Carl Cook carried on business in partnership, the capital of the partners on the 1st Jan., 1903, being:—A., £20000; B., £5000; and C., £2000. It was agreed that each partner should be credited with simple int. on his cap. at the rate of 5%, and B and C each with £200 as salary for their services. The net profits or losses were to be divided into nine parts, and allotted—to A., 5; to B., 3; and to C., 1. The assets and liabilities on the said date were as follows:—Freehold Premises, £15000; Plant and Machinery, £6000; Loose Tools and Fittings, £1500; Debtors' Balances, £9000; Less provision for discounts, £400; and for bad debts, £100; Cash at Bank, £2000; Creditors' Balances, £6000.

In Dec., 1905, A. died, leaving the whole of his interest in the business to B. and C. in equal shares. No a/c. of profit or loss

had been taken, or valuation of stock made during that period. The partners' withdrawals (including int. thereon) during the three years had been as follows :—A., £3500 ; B., £900 ; C., £600.

On the 31st Dec., 1905, a valuation of the assets was made for the purpose of probate and the adjustment of the surviving partner's a/cs. Freehold Premises, £11000 ; Plant and Machinery, £4500 ; Tools and Fittings, £1000 ; Debtors' Bals., £10500 in respect of which an allowance was made of £1000 for doubtful debts and dis. Cash at Bank £1060, in hand £6 17 6. Due to creditors £9000. Prepare two B/S. as on 1st Jan., 1903, and 31st Dec., 1905.

Answer.—*Cap. A.* £14398 5 3 ; *B.* £2388 19 2 ; *C.* £1279 13 1.

Exercise 99 (*C.A.*)

James Thompson took over the business of an iron ore proprietor, the lease of the mines having fifteen years to run on 1st Jan., 1906, and carried on business for six months. Prepare Trading, P/L. A/cs. and B/S., without taking a/c. of int. upon cap. but providing for wasting of lease, and writing off depreciation at 5% per ann. from machinery and plant, providing £445 for doubtful debts, and allowing a dis. of 2½% for debtors and creditors.

Stock 30th June, £5000. Unpaid wages £286.

Dr. Balances—		**Dr. Balances** continued—	
Stock, 1st Jan.	£4850	Candles and Oil consumed	£390
Withdrawals	800	Coals consumed	1260
Plant & Machinery	3522	Repairs	360
Cash at Bank	5709	Powder consumed	372
„ in hand	9	Carriage & Freight	913
Allowances & Returns	500	Ropes consumed	53
Salaries	939	Timber consumed	1280
Wages	12398	Office Furniture	100
Damages for Breach of Contrt.	100	Unexpired Insurances	40
Rents, Rates and Taxes	2330		
Bank Charges	200	**Cr. Balances**—	
Discounts allowed	850	Capital	20000
Lease	16500	Ore Sales	36700
Sundry Debtors	6300	Discounts received	75
Royalty	5000	Sundry Creditors	8000

Answer.—*Gross* £14398 ; *Net* £8664 11 6 ; *Cap.* £27864 11 6.

Exercise 100 (*C.A.*)

John Smith carries on business as a cigar manufacturer. Prepare Trading, P/L. A/cs. and B/S. from the following T.B. at the 31st December, 1905. Depreciate Land and Buildings 2½% ; Plant and Machinery 5% ; Int. on Cap. 5% ; Int. on Loan (one year) 5% ; Provision for Doubtful Debts and Discounts 5%

Stock £1500.

Dr. Balances—		**Dr. Balances** continued—	
Withdrawals	£1000	Salaries	£1000
Tobacco (bought)	2000	Incidental Expenses	200
Plant and Machinery	1500	Stock, 1st January, 1905	2000
Land and Buildings	2000	Bank	1250
Wages	4000	Cash	50
Debtors	1500		
Boxes, Labels, &c., (Trading A/c.)	500	**Cr. Balances**—	
Rates and Taxes	40	Capital	6000
Bills Receivable	300	Sales	10000
Insurance	10	Loan on Mortgage	1000
Carriage	150	Creditors	500

Answer.—*Gross Profit* £2850 ; *Net* £1050 ; *Cap.* £6350.

COMPANY ACCOUNTS.

351. A JOINT STOCK COMPANY is an association of individuals for the purpose of engaging in any undertaking, trade, or business. Lord Justice Lindley defines a company as "an association of members, the shares of which are transferable. As distinguished from a partnership, I know of nothing else except the transferability of shares." But with regard to an *incorporated* company there are other important distinctions, *e.g.*, that, while in a partnership firm each partner is personally responsible for all the debts contracted by the firm, in an incorporated company the members have *no individual liability* to its creditors for debts owing by the company, and their personal liability is satisfied if they pay the calls properly made upon them by the company or its liquidator. A company may be either limited or **unlimited.** In the latter case the members or shareholders are personally liable to contribute rateably to the payment of the whole of the debts of the concern, as well as the costs of liquidation. On the contrary, the liability of the members or shareholders of a **limited company** is strictly limited to the amount of the shares for which they have subscribed, or agreed to be responsible. For instance, should you have applied for, and been allotted a share of £100 in a company which subsequently fails, the limit of your loss would be £100. A company is a distinct legal personality, and can own and deal with property, sue and be sued in its own name, and contract on its own behalf, and the members are not *personally* entitled to the benefits, or liable for the burdens arising thereby; their rights are confined to receiving from the company their share of the profits, or, after winding up, of the surplus assets. The creditors of a limited company accordingly know that they cannot, as in the case of a partnership, look to the whole property of the individual members, to pay them, but are restricted to the property of the company.

352. NO PARTNERSHIP consisting of more than *ten* persons can be formed to carry on the business of

banking, and no partnership of more than *twenty* persons to carry on *any other business* having the acquisition of gain as its object, unless it is registered as a company under section 1 of **The Companies (Consolidation) Act, 1908,** or formed under some special Act of Parliament or Charter like a British Railway Co., or the British South Africa Co., or is a Cost Book Mining Company.

353. Commercial concerns are generally incorporated under The Companies (Consolidation) Act, 1908. Any persons, whether British subjects or foreigners, may, for any lawful purpose, form an incorporated company, which may be one of **four kinds,** viz. :—(**1**) A Company with Unlimited Liability, with or without a capital divided into shares ; (**2**) A Company with its Liability Limited by shares ; (**3**) A Company with its Liability Limited by Guarantee and not having a capital divided into shares ; or (**4**) A Company with its Liability Limited by Guarantee and having a capital divided into shares.

354. Very few companies are now registered with **Unlimited** Liability, and many banking and other companies, originally constituted as Unlimited Companies, have been **re-registered** with Limited Liability under section 57 of the Companies Act. The members of an Unlimited Company are liable to calls until the whole of the company's debts or obligations, however heavy they may be, are paid ; but they can only be called upon *pro rata* according to their interest in the company, and their liability is altogether at an end one year after they have ceased to be members. In these two particulars Unlimited Companies have important advantages over Private Partnerships and Limited Partnerships registered under the Limited Partnerships Act, 1907, so far as the " general partners " are concerned.

355. COMPANIES LIMITED by **GUARANTEE** are usually formed for the purpose of carrying on business as mutual insurance and trade protection societies, social, athletic, and other clubs, and concerns in which it is *not* intended to make a profit. The principle on which these companies are constituted is that each person who becomes a member undertakes to contribute

to the assets of the company, in the event of the same being wound up during the time that he is a member, or within one year afterwards, for the payment of the debts and liabilities of the company contracted before the time at which he ceases to be a member, and of the costs, charges, and expenses of winding up the company, and for the adjustment of the rights of the contributories amongst themselves, such an amount as may be required, not exceeding a specified amount. There are **two kinds** of **Guarantee Companies,** viz. :— (*a*) Companies Limited by Guarantee and *not* having a capital divided into shares, and (*b*) those *having* a capital divided into shares. In the case of the former the Memorandum of Association has only four clauses, of which the first three are the same as those required for a Company Limited by Shares, and the fourth is a declaration as to the amount to be contributed by each member of the company in the event of a winding up. But in the case of Guarantee Companies *having* a capital divided into shares registered since 1900, a fifth clause must be added, stating the capital, which is subject to increase or reduction in accordance with section 56 of the Companies Act.

356. Companies formed since the 30th June, 1908, are divided into *public companies* and *private companies*. To put it shortly, a **Public Company** is one carried on by means of capital subscribed by the public at large, and a **private company** one which does not appeal to the general public by a prospectus or advertisement to subscribe its capital ; the capital being already there or ready to be subscribed. A private company is useful for registering *family businesses*, where the shares are intended to be kept in few hands, the control in still fewer, generally the former partners of the firm. Where one partner possesses an overwhelming influence, and is entitled to nearly the whole of the profits, the company is known as a **One-man Company.**

357. A **PRIVATE COMPANY** may be registered by any **two** or more persons, provided that by its articles it (1) restricts the right to transfer its shares (2) limits the

number of its members (exclusive of persons who are or have been in the employment of the company) to fifty, and (3) prohibits any invitation to the public to subscribe for any shares or debentures of the company. Hitherto it has been necessary for seven persons to combine to form a limited company, and it has been necessary to keep up its number of members to at least seven, but in future two will suffice. The private company will be found extremely useful in the case of partners wishing to have the benefit of the protection of limited liability, and yet not wishing to have to disclose, either in a prospectus, or in the statement in lieu of prospectus, the particulars required to be made by public companies and not wishing to make public in its Annual Summary an audited statement in the nature of a balance sheet.

358. PRIVATE COMPANIES have an undoubted **advantage** over "Limited Partnerships." The liability of each member of a private company may be limited to the capital actually put in, or it may be limited to a stated amount representing the amount unpaid on shares subscribed, or it may be unlimited; the provisions being very elastic and capable of application to any requirement. The liability of a member of a limited partnership, must either be unlimited or else limited to the capital contributed, unless the limited partner takes any part in the management, when the limit ceases to exist. If any difference arises as to the conduct of the business, the majority of the directors of a private company, including the capitalist-director, and ultimately the members, according to the voting control, have the power to decide; but in a limited partnership a majority of the general partners, *i.e.*, not the limited or capitalist partner, control. For practical purposes private companies and limited partnerships are on the same footing as to giving notices to the registrar, of alterations in the constitution in the board of directors in the one case, or in the members of the partnership in the other.

359. A **PUBLIC COMPANY** is an *incorporated* association of **seven** or more individuals for the purpose of engaging in any undertaking, trade, or business.

Every company formed under The Companies (Consolidation) Act, 1908, must have a Memorandum of Association, the registration of which, after having been duly subscribed, is the formal creation of the company, and from that time its corporate existence is recognised by law.

360. REGISTRATION is effected by lodging with the Registrar of Joint Stock Companies, Somerset House, London, W.C., Parliament Square, Edinburgh, or Custom House, Dublin (according to the country in which the registered office is to be situate), a Memorandum of Association, usually printed, although it may be written. When the company does not adopt Table A and is to be governed by its own Articles of Association (which is almost invariably the case with companies of any magnitude), the *printed* Articles must also accompany the Memorandum, both of which must be signed and subscribed by the "*signatories*," that is, the original subscribers, who must subscribe not less than one share each. If everything is in order and the stamp duties and fees paid, the Registrar will issue a *Certificate of Incorporation*. From that moment the company has a legal existence, with perpetual succession and a common seal. It may, if a private company, from that date transact its business, and is a valid company. In the case of **public** companies the applicant must also deliver to the Registrar a list of the persons who have consented to be directors, and a consent in writing, signed by each director, or by his agent, to act as such director must be filed, and if each director has not signed the Memorandum for a number of shares not less than his qualification, a contract in writing to take and pay for his qualification shares must also be filed. The requisites for registration in the case of a *public* company are :—(1) memorandum ; (2) articles ; (3) list of directors ; (4) signed consents of all directors named to act ; (5) contract by directors to pay for their qualifying shares ; (6) statutory declaration by a solicitor engaged in the formation, or by a director, or secretary of the company that the requirements of the Companies Act as to registration have been complied with.

361. The **MEMORANDUM OF ASSOCIATION** is the charter of the company, which defines its powers and states its objects and intentions ; outside the limits of the Memorandum the company cannot go. This document must contain :—(1) The name of the company, with the word " *Limited* " as the last word in such name. (2) The country where the Registered Office is to be situate. (3) The objects of the company. (4) A declaration that the liability of the members is limited. (5) The amount of capital and how it is divided ; subject to the following regulations (*a*) that no subscriber shall take less than one share (*b*) that each subscriber to the Memorandum shall write opposite to his name the number of shares he agrees to take. Shareholders are entitled to a copy of the Memorandum and Articles on payment of a fee of 1/-.

362. The **ARTICLES OF ASSOCIATION** are the rules, regulations and By-Laws to govern the internal affairs of the company, and play a subsidiary part to the Memorandum, which contains the fundamental conditions. They must be consistent with the statutes, as the Courts will ignore any article attempting to override the statutory rights of members. A *model form* of Articles known as **Table A** of The Companies (Consolidation) Act, 1908, constitutes the code of regulations for the management of a limited company, unless expressly excluded or modified by the *special* Articles. Articles 103 to 108 of Table A state that the directors shall cause true accounts to be kept of all assets and liabilities, receipts and payments, profits and losses, and that an annual Balance Sheet shall be printed and sent to every member seven days before the general meeting of the company. The B/S. shall be accompanied by a report of the directors as to the state of the company's affairs, and the amount which they recommend to be paid by way of dividend, and the amount (if any) which they propose to carry to a reserve fund.

363. CAPITAL. The principal difference between the accounts of a Private Trader or a Partnership and those of a Limited Company is in the organisation of the capital and the consequent distribution of the profits.

With Joint Stock Companies the **capital** is generally the property of a large number of shareholders, who hold **shares** which represent the equal portions into which the capital is divided, each shareholder being entitled to a portion of the company's profits corresponding to the number of shares he holds. A Company cannot purchase its own shares or reduce its Share Capital without obtaining the sanction of the Court. The **Nominal** or **Registered** or **Authorised Capital** is the sum stated in the Memorandum as the maximum amount which the Directors have power to raise ; say 50,000 shares of £1 each; it is upon this amount that the *stamp duty* payable to the Government upon registration, is based. The **Issued** or **Subscribed Capital** is the amount offered and subscribed for, and subsequently allotted in shares or stock to the public and the vendors ; say £45,000, thus leaving £5,000 **Unissued Capital** to be issued at a later date if the Directors wish. The **Called-up Capital** is that portion of the Subscribed Capital which the Directors require in order to carry on the business of the company ; say, 10/- per share = £22,500. The **Paid-up Capital** is that part of the Called-up Capital which has actually been received in cash by the Company from the Shareholders ; say, £22,400 ; one shareholder having failed to pay the " call " made upon him. The term **Working Capital** is used to indicate the amount of *Paid-up Capital plus Debentures*, available for carrying on the business of a company, *after* the purchase price has been paid.

364. SHARES are classified and named according to the rights attached to them by the Articles of Association. **Ordinary Shares** are portions of a company's trading capital, entitling their owners to a limited or an unlimited proportional part of the profits after all prior charges have been paid and all preferential interests have been satisfied. Preferred or **Preference Shares** may either give a preferential right (*a*) only as to the fixed rate of dividend, or (*b*) to the return of capital also. In the former case they are said to be *preferential as regards revenue*, and in the latter *preferential as regards capital*. In the event of liquidation the holders

of such preference shares are entitled to priority of payment out of the assets before any of the other classes of shareholders, but not before creditors. In either case the preferential dividend may be **cumulative** or **non-cumulative,** *i.e.*, payable only out of the profits of each trading period or year, *no* unpaid arrears being carried forward. On the other hand, if the dividend be **cumulative** and the profits realised in any one year, or any series of years, be insufficient to pay the guaranteed dividend, such arrears or accumulated dividends must be paid out of the first available profits in any succeeding year, before any dividend is paid on the other shares. **Arrears** of cumulative dividends being a *contingent liability*, should be shown on the face of the B/S. **Deferred Shares** are so called because the rights of the holders to dividend are postponed until other shareholders have received a stated percentage, or until the expiration of a certain period. **Founders'** or **Management Shares,** which are usually few in number, are generally taken by the promoters or the underwriters of the share capital, in order to reimburse the expenses incurred by them in the flotation of the Company. These shares generally have a *deferred* interest in the profits of the company, usually receiving one-quarter or one-half or less proportion of the net profits after a fixed percentage has been paid on the Ordinary Shares and a certain amount placed to the Reserve Fund. When the surplus profits are large these shares become very valuable. **Participating Preference** or **Ordinary Shares** entitle their holders not only to the rate of dividend fixed by the Memorandum but also to a further share in any surplus profits, *after* the Ordinary or Deferred Shareholders, respectively, have received a given percentage.

365. LOANS. The usual form of borrowing by a Company is on **Debentures,** which are bonds given under the seal of the Company as security for a loan. Debentures may be either (*a*) a mere promise to pay, or (*b*) a promise to pay secured by a **mortgage** of the real estate, and a first charge on all the undertakings and assets of the business. The former class (*a*) containing *no* charge upon any of the company's property, is

termed a *simple* or *naked* debenture; while the latter class (*b*) is known as a *mortgage debenture*. It must be remembered that a debenture holder is only a *creditor*, and not a member of the Company, and that if it is not a **mortgage debenture,** the holder, in the event of liquidation, will only occupy the same position as an ordinary *trade creditor*. *Redeemable* debentures are those which provide for repayment of the principal sums upon a given date or upon notice. *Irredeemable* debentures are those which are issued upon condition that the principal sums secured are repayable only on default of payment of interest or on the winding up of the company. **Debenture Stock** is merely borrowed capital *consolidated* into one mass for the sake of convenience. Debentures are only transferable in their entirety, but stock may be transferred in whole or part, provided that such part does not involve a fraction of a stated amount. Usually the stock is made transferable in multiples of £10. **Interest** on Debentures, after deducting the income tax at the **full rate,** is usually paid half-yearly, so long as there are any *assets* out of which to pay it. In this respect it is different from a *dividend* upon shares, which is only payable out of profits.

366. TERMS OF ISSUE. Shares and debentures may be issued at **par** (the exact face value), or at a **premium** (an amount in excess of face value), and debentures only at a **discount** (an amount below the face value), but the actual liability of the company is measured by the *nominal* amount in question. An example of an issue at a **premium,** redeemable *at par*, is given in the model exercise, where the £50,000 4% Debentures are issued at £102%, resulting in the receipt by the Coy. of £51,000. As the Coy. will only be required to pay the 4% interest on the *par value* of the Debentures, viz.:—£50,000, the excess of £1,000 received by issuing at a premium is a clear gain. This must *not* be carried to the Revenue or P. & L. A/c., however, but a "*Debenture Premium A/c.*" must be opened and credited. This A/c. may be subsequently transferred either to the Reserve A/c., or applied towards the reduction or extinction of unrealisable

assets, such as Preliminary Expenses or Goodwill. In the case of Debentures (*a*) issued at a *discount*, and redeemable *at par*, or (*b*) issued *at par* and redeemable at a *premium*, the contingent liability in respect of the difference between the (*a*) discount and par, and (*b*) par and premium, must be provided for. Suppose that the £50,000 Debentures had been issued (*a*) at a *discount*, say £98 redeemable at par, or (*b*) at *par* redeemable at a premium, say £102, the cash received in each case would be £1000 *less* than would be required to repay or redeem the Debentures at the expiration of say 20 years. With the object of providing this deficiency of £1000 at the time of redemption, the sum of £50—one twentieth —should be charged against the profits annually and credited to the "*Debenture Premium A/c.*"

367. SINKING FUND. With the object of *redeeming Debentures* or other liabilities of a Company, a Sinking Fund is frequently created, which may or may not be invested in outside securities. The object is *merely to conserve the resources of the Company.* In such cases the instalments are not charges against profits, but appropriations of profits ; that is to say, so much which might have been distributed amongst the shareholders is retained, so that as the Asset "Cash" is reduced on paying off the liability to Debenture holders, there may be a corresponding restoration of cash out of profits, and the concern not crippled on account of lack of working capital. This instalment will vary according to the size of the debt, and the length of time allowed for its repayment.

368. One method of **raising** a **Sinking Fund** would be to apply the instalment to the purchase, in the open market, of some of the Debentures about to be redeemed (particularly if the market value be below *par*). When Debentures are thus purchased the total of the original issue should still be shown in B/S., with the amount of those purchased deducted. A more modern method would be to apply the instalment to the payment of the premium on a **Sinking Fund Insurance Policy,** in which case, the entry might be : debit Net-Revenue or P. & L. A/c., and credit Insurance Co. When the premium is paid, debit Insurance Co. and credit Cash. The period

allowed for repayment will expire simultaneously with the maturity of the Policy. The effect is seen on the two following Balance Sheets, taken out immediately *before* and *after* the repayment of Debentures.

BALANCE SHEET No. 1.		BALANCE SHEET No. 2.	
Share Cap.	£500,000	Share Cap.	£500,000
Debentures	£100,000	Reserve ..	£100,000
Cash	£600,000	Cash	£600,000
	£600,000 £600,000		£600,000 £600,000

The Debentures having been wiped out, not out of the funds of the borrowing Co., but by the Insurance Co., the £600,000 in cash remains intact.

The name " Debenture Holders " may now be changed to " Reserve." The borrowed money has served its purpose, viz., tided the Company over its early stages, during which it has accumulated a fund of its own equal to the amount of the borrowed capital.

369. It is important to distinguish this class of Sinking Fund for *repayment of liabilities* from a Sinking Fund raised for the purpose of *replacing a wasting asset*, for example, a lease. In the latter case it is a **depreciation** charge pure and simple that has to be dealt with, and the instalments are a direct charge against revenue. Suppose the amount be invested in an Insurance Policy, as in the previous illustration. When the Policy matures (which would be simultaneously with the expiration of the lease), one asset " Lease " would disappear from the B/S. and another " Cash " (per Insurance Co.) would take its place. Had the depreciation been *periodically* credited to the asset " Lease " and no outside investment been made, the only difference would be that instead of the asset " Lease " being struck out of the B/S. and replaced by " Cash " in one lump sum, it would gradually disappear, whilst the available cash of the Company (not having been divided among the shareholders, or invested outside) would be gradually increasing in the same proportion.

370. Depreciation represents a *charge* against Revenue in respect of the benefits the trading has derived from the use of the asset, and in fixing the rate

to be charged, regard should be had to the following considerations :—(*a*) Original cost of asset. (*b*) Probable duration of asset. (*c*) As to repairs, whether charged to revenue or not, in addition to depreciation. (*d*) Residuary or break-up value. Whilst there may be cases where it would be most correct to base the charge for depreciation on the output, as in the case of mines.

371. The essential **difference** between **Depreciation** and **Sinking Fund** may be best illustrated, perhaps, by taking the case of a mine. Suppose a Colliery Co. borrows money, say £1000 on Mortgage Debentures, for the purpose of acquiring a new mine, and agrees to repay this in a period of ten years at £100 per year. Now it could not be fairly argued that trading must only be debited with this fixed sum (representing the Sinking Fund Instalment) each year, irrespective of the output. In the event of a larger output in any year, a correspondingly larger amount would be brought to credit of trading, and therefore a correspondingly larger amount should also be brought into charge equivalent to the large amount of material gotten. The amount repayable to Debenture Holders is accidental, and bears no necessary proportion to the benefit accruing to any one year's trading. But Depreciation is not an arbitrary calculation, and is only one which, properly adjusted, can represent the fair charge against revenue for any given year. This, therefore (whatever may be the ultimate result to the P. & L. A/c.) is the amount which should be charged ; *not* the instalment on Sinking Fund.

372. The following is a useful **summary** of the purposes for which **Sinking Funds** exist, as well as the various **entries** connected with the creation and closing of the accounts. (**1**) Payment of a Liability for which actual value has been received, as Debentures issued at par repayable at the end of say 15 years at par. (**2**) Payment of a Liability for which no actual value has been received, as payment of a premium on Debentures issued. (**3**) Replacing a specific Asset, as providing money to replace the cost of a Lease upon expiry of an existing one.

1. Repayment of Debentures :—

(*a*) *Profit & Loss Appropriation A/c. Dr.*
To Sinking Fund A/c.

(*b*) *Sinking Fund Investment A/c..... Dr.*
To Bank.

These two entries being made each Year or Half-year when the accounts are made up, until the period arrived for repayment of the debentures, then

(*c*) *Bank ..... Dr.*
To Sinking Fund Investment A/c.

Being the amount withdrawn from the investment.

(*d*) *Debenture Holders ..... Dr.*
To Bank.

Being the repayment of the Debentures.

The Sinking Fund A/c. being left with a Credit Balance for the amount debited to the Appropriation A/cs. This may now be *balanced into a Reserve A/c.*

2. Providing for Debenture Premium to be paid at the end of a certain period :—

(*a*) *Profit & Loss Appropriation A/c. Dr.*
To Debenture Premium A/c. (This being the Sinking Fund A/c.)

(*b*) *Sinking Fund Investment A/c..... Dr.*
To Bank.

These 2 entries being made each Balancing period as in **1.**

(*c*) *Bank ..... Dr.*
To Sinking Fund Investment A/c.

(*d*) *Debenture Premium A/c. ..... Dr.*
To Bank.

Being payment of premium to Debenture Holders.

Or instead of "*d*" the entries may be
Debenture Premium A/c. ..... Dr.
To Debenture Holders (Premiums).
Debenture Holders (Premiums) ... Dr.
To Bank.

3. To replace a Specific Wasting Asset (Lease) :—

(*a*) *Profit & Loss A/c.* .....*Dr.*
To Leasehold A/c.

(*b*) *Sinking Fund Investment A/c.*....*Dr.*
To Bank.

(*c*) *Bank* .....*Dr.*
To Sinking Fund Investment A/c.
Amount in the Bank ready to purchase another Lease at the end of the period.

373. PROSPECTUS. The management of a public company is usually vested in a small body of shareholders, called a **Board of Directors,** who appoint such officials as are necessary for the conduct of the business. The most important practical matter connected with the formation of a Company is the obtaining of capital, and except in the case of converting private businesses into Companies, and in a few cases where money is privately subscribed, this is done by means of a **prospectus,** which is an invitation to the public or the persons to whom it is addressed, to become shareholders or to take up debentures. Every Prospectus issued by or on behalf of a company or in relation to an intended company must be (1) dated, (2) signed by every director or proposed director, or by his agent authorised in writing, and (3) filed with the Registrar on or before its publication. It is necessary that the Prospectus should include the following particulars :—(1) Memorandum of Association; Signatories, their descriptions and holdings, but this need not be published in newspaper advertisements. (2) The number of founders' or management shares,and their interest in the property and profits. (3) Directors' description and addresses ; their qualification and article as to remuneration. (4) The minimum cash subscription for allotment fixed by memorandum or articles and prospectus. (5) Amount per share payable on application (not less than five per cent.) and on allotment. (6) Particulars of shares and debentures issued as fully or partly paid and the consideration for their issue. (7) The names and addresses of all vendors, whether actual or original, including lessors, who receive any part of the proceeds of the

issue. (8) The purchase price of the property ; " goodwill " being separately stated. (9) The commission for underwriting the shares or debentures fixed by the articles and prospectus. (10) The amount or estimate of preliminary expenses. (11) The amount payable to the promoters and the consideration therefor. (12) Dates and parties to all material contracts within two years other than those in the ordinary course of business, and reasonable time and place for inspection. (13) The names and addresses of the auditors (if any). (14) Full disclosure of any personal interest of any director in the transaction ; and of all moneys or shares paid or receivable by him. (15) Date of prospectus, and on its face the fact of filing with Registrar. With the view of familiarising himself with the general character and scope of prospectuses the student is advised to procure one, or peruse those **abridged** examples advertised in the daily newspapers and trade journals. A complete **copy** of a modern **Prospectus** may be had from the **Author** of this textbook, at **7d.** post free, for cash.

374. A **Statement** in **Lieu** of **Prospectus,** must be filed by every new public company which does not issue a Prospectus. It must be signed by every person who is named in it as a director, or proposed director, or by his authorised agent. The Statement must give practically the same particulars as would have to be stated in a Prospectus. The only additional material requirement is that it must disclose the nature of any provision in the articles precluding holders of shares or debentures receiving and inspecting balance sheets or reports of the auditors or other reports.

375. Along with the prospectus there is enclosed a printed form of **Letter of Application,** which should be filled up by the applicant, requesting the allotment of a specified number of shares, and enclosing a cheque for the sum stipulated to be paid, which must not be less than five per cent. of the nominal amount of each share. If the minimum cash subscription is not provided, the directors cannot allot, and they must, in that event, within forty days from the issue of the prospectus, return all moneys paid on application or become personally liable to the applicants. Upon receipt of sufficient

applications for shares to justify the company going to allotment, the Directors meet and pass a resolution allotting the shares to such applicants as they think fit, and the Secretary then forwards **Letters of Allotment** requesting payment of the amount due on allotment to those persons receiving an allotment, and **Letters of Regret,** with cheques for the return of the deposit, to those whose applications are refused.

376. At the **Statutory Meeting** of shareholders, which must be held not earlier than one month nor later than three months after the date the company is entitled to commence business, full particulars must be given as to the subscribed capital; the amount paid up; the names of the directors; the amount of the preliminary expenses; and an audited abstract of all receipts and payments. All these particulars embodied in a report must be circulated amongst the shareholders seven days before the meeting and filed with the Registrar. A list of the members and their respective holdings must be open to inspection throughout the meeting.

377. ACCOUNT BOOKS are of two kinds; (1) the ordinary **Financial** or **Account books** which are essential to every concern; (2) **Registry** or **Statistical books,** for recording various details which it is not advisable to crowd into the ordinary account books. For instance, a book recording an analysis of sales as regards periods of time, classes of goods or districts supplied; the Policy Register of an Insurance Co.; the Ground Rent Register of a landlord; the Mortgage Register of a Building Society; the Share Register of a company, &c.

378. In order to comply with the Companies Act a Joint Stock Company must keep at least **five Statutory Books.** (**1**) **Minute Book,** recording all resolutions and proceedings at meetings of the Directors, Managers, or Members of the Company, sometimes divided into two books, one for the Directors' Minutes, and the other for the Minutes of the General Meetings of the Shareholders. (**2**) **Register of Directors and Managers,** showing names, addresses and occupations. (**3**) **Register of Members** or **Share Register,** stating their names, addresses and occupations, and a statement of

the number of shares held by each member, the distinguishing numbers and the amount paid, or agreed to be considered as paid, on the shares, the date of becoming a member, and the date of ceasing to be a member. The Register of Members must be kept at the registered office of the company, and, except when closed for the purpose of preparing the Dividend List, must be open to the **inspection** of **members** *free of charge*, and to the **public** upon payment of **one shilling,** for at least two hours per day. It is customary to close the Register from seven to fourteen days prior to the annual general meeting, but it may not be closed for more than thirty days in each year. (**4**) **Register of Mortgages** and **Charges** specifically affecting the property of the Company, and must enter in such Register in respect of each Mortgage a description of the property, the amount of the charge and the names of the Mortgagees. (**5**) **Annual Summary** of **Capital** and **Shares Book** showing summary of Capital and Mortgages, List of Members and Directors.

379. An **ANNUAL RETURN** known as "Form E," (No. 6a) copied from the last named book, giving (on the front page) a Summary of the Capital, Shares, and Mortgages; (on page **2**) the Balance Sheet of the Company; (on page **3**) a List of the Directors; (on the following pages) a full List of all the Members, number of shares held by each of them, particulars of those who have ceased to be members since the date of the last list, &c., is required to be made up to the fourteenth day after the Ordinary General Meeting and transmitted to the Registrar of Joint Stock Companies within seven days of its date. A **copy** of this Summary and List of Members may be **demanded** by **any person** at the company's registered office, on payment of sixpence for every hundred words required to be copied. The penalty for refusal to supply such copy is two pounds per day.

A **copy** of "Form E," or any other **Company Forms,** as used when filing for official purposes, also a copy of a Company Prospectus, may be had from the Author, P.O. Box A.27, Huddersfield, at sevenpence each, post free, **for cash.**

No. of Certificate 120603. FORM No. 6A.

"THE COMPANIES ACTS 1908 to 1917."

FORM E.

As required by Part II of the Companies (Consolidation) Act, 1908 (Section 26).

STAMP

A Companies Fee Stamp of **5s.** must be impressed here.

SUMMARY OF SHARE CAPITAL AND SHARES

OF

NICOTINE, LIMITED,

made up to the 20th day of March, 1914.

(Being the Fourteenth Day after the date of the First Ordinary General Meeting in 1914.)

Nominal Share Capital, £500,000, divided into*	20000 Ordinary 20000 Preference 10000 Deferred Shares of £10 each.
Total Number of Shares taken up* to the 20th day of March Which number must agree with the Total shown in the List as held by existing Members	20000 Ordy. 10000 Pref'ce 10000 Defd.
Number of Shares issued subject to payment wholly in Cash	40000
Number of Shares issued as fully paid up otherwise than in Cash	10000 Defd.
Number of Shares issued as partly paid up to the extent of £ per Share otherwise than in Cash	
‡There has been called up on each of 20000 Ordinary Shares	£10
" " " 20000 Preference "	£10
" " " 10000 Deferred "	£10
§Total Amount of Calls received, including Payments on Application and Allotment	£395500
Total Amount (if any) agreed to be considered as paid on Ordinary Shares, which have been issued as fully paid up otherwise than in Cash	£
Total Amount (if any) agreed to be considered as paid on Preference Shares, which have been issued as partly paid up to the extent of £ per Share	£
Total Amount of Calls unpaid	£2250
Total Amount (if any) of sums paid by way of Commission in respect of Shares or Debentures or allowed by way of Discount since the date of last Summary	£
Total Amount (if any) paid on ‖900 Shares forfeited	£6750
Total Amount of Shares and Stock for which Share Warrants to Bearer are outstanding	Shares £ Stock £
Total Amount of Share Warrants to Bearer issued and surrendered respectively since date of last Summary	Issued £ Surrendered £
Number of Shares or Amount of Stock comprised in each Share Warrant to Bearer	Number of Shares £ Amount of Stock £
Total Amount of Debt due from the Company in respect of all Mortgages and Charges which are required, (or, in the case of a Company registered in Scotland, which, if the Company had been registered in England, would be required) to be registered with the Registrar of Companies, or which would require registration if created after the First day of July, 1908	£50000

NOTE.—Banking Companies must also add a List of all their Places of Business.

* Where there are Shares of different kinds or amounts (*e.g.* Preference and Ordinary, or £10 and £5), state the numbers and nominal values separately.

‡ Where various amounts have been called, or there are Shares of different kinds, state them separately.

§ Include what has been received on forfeited, as well as on existing Shares.

‖ State the Aggregate Number of Shares forfeited (if any).

The Return must be signed at the End, by the Manager or Secretary of the Company.

Page 2 of **Annual Return.**

STATEMENT in the form of a Balance Sheet made up to the 20th day of March, 1914, containing the Particulars of the Capital, Liabilities, and Assets of the Company.

Capital and Liabilities.	Assets.
This represents page 2 of the "Annual Return" on which the Balance Sheet of Nicotine, Ltd., would be copied from the particulars given on page 469.	

Page 3 of **Annual Return.**

Names and Addresses of the Persons who are the Directors of

Nicotine, Limited,

on the 20th day of March, 1914.

Names.	Addresses.
Nicotine, Walter	56 Bedford Square, London.
Wilson, Edwin	23 George Street, Halifax.
Harris, Fred	Broadway, Bexley Heath.

Folio 4 of the **Annual Return**

(and the following folios) contains, in eleven columns, the—

List of Persons holding Shares in Nicotine, Limited, on the 20th day of March, 1914, and of Persons who have held Shares therein at any time since the date of the last Return, or (in the case of the first Return) of the Incorporation of the Company, showing their Names and Addresses, and an Account of the Shares so held.

NAMES, ADDRESSES, and OCCUPATIONS.	ACCOUNT of SHARES.

380. While the keeping of ordinary account books and the five books just described are alone *compulsory*, it is customary for **Companies** with numerous shareholders to keep the following **additional records :**—(6) Agenda Book, containing a list of the business to be transacted at a meeting. (7) Directors' Attendance Book, which should be signed on the occasion of every board meeting, particularly where the remuneration of the Board is a fixed amount for every meeting attended. (8) Register of Applications and Allotments of Shares and Debentures similar to example given. (9) Share Ledger, sometimes combined with the Register of Members. (10) Numerical Register of Shares, principally useful where there are a very large number of shareholders and it is desirable to have a ready reference as to the ownership of shares. (11) Shareholders' Address Book. (12) Register of Transfers of Shares or Debentures, similar to example given. (13) Register of Debenture Holders with Register of Transfers. (14) Transfer Receipt Book, for acknowledging the receipt of Transfers of Shares. (15) Transfer Cash Book, where transfers are numerous, for recording the fees received by the Transfer Clerk or Registrar, the total being paid into the bank periodically. (16) Register of Calls, similar to example given. (17) Register of Seals, for recording particulars of documents sealed by the directors. (18) Register of Probate of Wills, presented by the representatives of deceased shareholders upon transfer of shares to the executors or administrators. (19) Register of Documents in the possession of the Company. (20) Dividend Account Book. (21) Debenture Interest Account Book. These Books are stocked by **Company Registration Agents,** such as Jordan and Sons, Ltd., 116 and 117 Chancery Lane, London, W.C.

381. With the object of **facilitating** the acquirement of a **practical knowledge** of **Company Accounts,** I have designed the following **Model Exercise** which is practically worked out in full. The transactions, which

introduce as many difficulties as possible within the limits of a single exercise, are all numbered, so as to simplify any references thereto. As a special help to teachers of **classes,** where **graduation** of work is so important, I have followed the model exercise with a very short one, fully worked out. Several **short exercises** on Company A/cs. will be found at the end of this chapter.

Model Exercise on Company Accounts.

(*See key commencing page* 406).

(1) Walter Nicotine decides to convert his business of Tobacco Manufacturing into a Limited Liability Company, the latter to take over the following balances on the 31st Dec., 1913 :—

Leasehold Tobacco Factory	£6000	
Freehold Tobacco Factory	2000	
Machinery and Plant.....	70000	
Sundry Debtors	90000	
Stocks in Factory and in Bond	210000	
Sundry Creditors		£233000

The purchase price agreed upon is £267,000 (which sum includes £122,000 for the Goodwill). (*Enter in Journal.*)

(2) The Company is formed and registered on the 1st Jan., 1914, under the name of *Nicotine, Limited*, the Nominal Capital being fixed at £500,000, divided into 20000 5% Pref. Shares of £10 each, *20000 7% Ordinary Shs. of £10 each, 10000 Deferred Shs. of £10 each, the whole of which are offered for public subscription, except the Deferred Shares, which are issued to the Vendor in part payment of the purchase money ; the remainder to be paid in cash on the 30th April, together with the interest thereon at 5% from 1st Jan. (*Enter issue of Deferred Shares to Vendor in Journal.*)* The Ordinary Shares must receive 7% before the Deferred Shares shall be entitled to participate in the profits ; after which the Deferred Shares shall be entitled to receive the remaining profits, so long as they do not produce more than 7% thereon ; and any excess of profits beyond this shall (subject to the usual Reserves) be divisible in equal proportions between the Ordinary and Deferred Shares.

(3) The Directors also invite application for £50000 4% Mortgage Debenture Stock, which is offered to the public at £102%, the premium to be applied towards the reduction of the Preliminary Expenses. The shares and Debenture stock are payable as follows :—

1914.		Pref. & Ordy. Shares.	Deb. Stock.
Jan. 4.	On Application	£2 10 –	£5%
,, 7.	On Allotment	5 – –	97%
Feb. 28.	On First Call.....	1 5 –	
Apl. 30.	On Second Call	1 5 –	

(**4**) Interest on the Debenture Stock to be paid on the 30th June and 31st Dec. in each year. (*Enter in C.B.*)

(**5**) The Pref. Shares to be entitled to a Cumulative Preferential Div. of 5% per ann. ; payable half-yearly on the 30th June and 31st Dec. in each year.

(**6**) The Shares are over subscribed, the applications from the public being as follows :—(*Enter in C.B.*)

	Preference Shares.	Deposit.	Ordinary Shares.	Deposit.
John Heaps.....	1000	£2500	500	£1250
George Parker	400	1000	200	500
David Eaves	1000	2500	2000	5000
John Whitehead.....	2000	5000	2500	6250
Joe Swift	400	1000	500	1250
George McAdam.....	1200	3000	600	1500
Fred Harris	5000	12500	4000	10000
Albert Bowler	2500	6250	3000	7500
Chas. Spencer	1500	3750	1000	2500
Edwin Wilson	5000	12500	10000	25000
Ernest Bailey	6000	15000	5000	12500
Beckett & Co.	(Debenture Stock, £2500).			

(**7**) All the above were allotted in accordance with the applications except as follows :—J. Whitehead allotted 2200 Ordy. instead of 2500 ; E. Wilson allotted 2000 Pref. and 5000 Ordy. instead of 5000 and 10000 ; E. Bailey allotted 3000 Pref. and 4500 Ordy. instead of 6000 and 5000 ; Harris allotted 500 Ordy. instead of 4000.

The excess of application money in these 4 cases is retained by the directors and carried forward towards allotment and calls, except in the case of F. Harris, to whom £5000 is returned. All the allottees remitted the amounts due on allotment. (*Enter in Journal and in Applications and Allotments Book ; post latter to Share Ledger. Enter Cash received on Allotment, and that returned to Harris in C.B.*)

(**8**) The Bank received on the 28th Feb. the following amounts due in respect of First Call. (*Enter in Journal, Call Book, and C.B.*)

	Pref.	Ordy.		Pref.	Ordy.
John Heaps	£1250	£625	Fred Harris	£6250	
George Parker .	500	250	Albert Bowler ..	3125	£3750
David Eaves ...	1250	2500	Charles Spencer	1875	1250
John Whitehead	2500	2750	Edwin Wilson ..	2500	6250
George McAdam	1500	750	Ernest Bailey...	3750	5625

(9) Apl. 30. The amounts received by the Bank on a/c. of Second Call were as follows :—(*Enter in Journal, Call Book, and C.B.*)

	Pref.	Ordy.		Pref.	Ordy.
John Heaps	£1250	£625	Fred Harris	£6250	
George Parker .	500	250	Albert Bowler ..	3125	£3750
David Eaves ...	1250	2500	Charles Spencer	1875	1250
John Whitehead	2500	2750	Edwin Wilson ..	2500	6250
			Ernest Bailey...	3750	5625

(10) Apl. 30. Paid F. Harris £14 5 10 for Int. at 5% per ann. on £625, being cash paid in advance from Jan. 6 to Feb. 28 = 53 days, £4 10 9 ; Jan. 6 to Apl. 30 = 114 days, £9 15 1. (*Enter in C.B.*)

(11) Apl. 30. Balance of Purchase Money paid to Vendor, £167,000 together with interest thereon at 5% per ann. to date—4 mos. = £2783 6 8. (*Enter Int. in Jour. and Payment in C.B.*) Paid Preliminary Expenses, £5000. (*Cash Book.*)

(12) May 2. George Parker transfers 100 Ordy. Shares to John Heaps, of Bath Street, Batley, Merchant. Registration fee recd. 2/6. (*Enter Transfer in Register of Transfers, and* 2/6 *in C.B.*)

(13) June 30. Paid half-year's int. on Debentures, less tax at 1/-, £950. The Directors declare and the Bank pays Interim Dividend as follows :—2½% on Pref. Shares, less tax £4655 ; 3½% on Ordinary Shares, £6825 ; 3½% on Deferred Shares, £3500.

Pass Tax on Debentures and Interim Divs., through Journal.

(14) At a meeting of the Directors held on 30th Nov., 1914, it was resolved that the following shares be forfeited, viz. :—

Joe Swift, 400 Pref. Shares, Nos. 4401 to 4800
500 Ordy. „ „ 4901 „ 5400 } *Journalise.*

(15) Charge George McAdam with int. at the rate of 5% per ann. from April 30th to Dec. 31 = 8 mos., £75 on £2250, being the amount unpaid on Second Call. (*Enter in Journal.*)

(16) Transfer (*through the Journal*) premium on Debenture Stock to the credit of Preliminary Expenses A/c. £1000.

(17) Purchases from Sundry Creditors £250,000 ; Discounts allowed by ditto £1750 ; Sales to Sundry Debtors £400,000 ; Discounts allowed to ditto £3000 ; Received from Sundry Debtors, £380,000 ; Sundry Rents received, after allowing Property Tax, £100.

(18) Paid the following :—Half-year's int. on Debentures less tax, £950 ; Sundry Creditors, £355,000 ; Directors' Fees, £1000 ; Wages, £6000 ; Carriage, £1500 ; Packing Materials, £2000 ; Salaries, £2000 ; Sundry Trade Exs., £450 ; Office Exs., £500 ; Repairs, £1200 ; Insurance, £350 ; Rates and Taxes, £400 ; Gas, Fuel, &c., £500 ; Law Charges, £700.

(19) Losses sustained by Bad Debts, £600. Reserve for Discount and Doubtful Debts 1½% on Debtors' balances, £1596.

Allow for Depreciation in respect of :—Freeholds, 2½% £50 ; Leaseholds, 2½% £150 ; Machinery, 5% £3500 ; Goodwill, 10% £122000 ; The taxable profit is £68125 2 6, for which allow Income Tax @ 1/- in the £. The *Stock* on Dec. 31, 1914, was £150000.

Out of the profits the Directors propose and the Shareholders at their meeting on 6th March, decide to write off the balance of Preliminary Exs., £4000 ; to place £3000 to a Reserve Fund ; to pay on 13th March further dividends on the Pref. Shares at the rate of 2½% ; less tax ; on the Ordy. and Deferred Shares at the rate of 6½%, and to carry forward £315 5.

382. TRANSFER OF ASSETS AND LIABILITIES on the Purchase or Conversion of a Business.

The shortest method of recording these transactions is shown in the key to the model exercise. The following is the method when a Purchase A/c. is opened :—

Purchase Account	Dr.	£267000	
To Walter Nicotine (Vendor).....			£267000
Being the consideration to be paid by the company for the assignment of business, plant, machinery, premises, &c.,mentioned in an agreement dated.....and made between W.N. and A.B., which agreement has this day been adopted by the company to be paid as follows :— 10000 fully paid Deferred Shares of £10 each ; £100000 ; Cash £167000.			
Sundries :—			
To Purchase Account			500000
For the transfer to the proper A/cs. of the following as per Schedule annexed to Agreement dated			
Freehold Tobacco Factory	Dr.	2000	
Leasehold Tobacco Factory	„	6000	
Machinery, Fixtures, and Plant.....	„	70000	
Sundry Debtors	„	90000	
Tobacco, &c.	„	210000	
Goodwill	„	122000	
Purchase Account	Dr.	233000	
To Sundry Creditors			233000
For the transfer to the proper A/cs. as per Schedule annexed to the agreement dated			
Walter Nicotine (Vendor)	Dr.	100000	
To Deferred Share Cap. A/c.			100000
For 10000 fully paid shares of £10 each, issued to him as part consideration, etc.			

The £167000 payable to the vendor in cash would pass through the Cash Book to the debit of his a/c. in the ledger, as also would any interest thereon, after having been journalised and posted.

Dr. **Purchase Account.** **Cr.**

1914.			1914.		
Jan. 1	To Walter Nicotine	£267000	Jan. 1	By Freehold Property	£2000
	„ Sundry Creditors	233000		„ Leasehold Factory	6000
				„ Machinery, &c. ..	70000
				„ Sundry Debtors..	90000
				„ Tobacco, &c. ...	210000
				„ Goodwill	122000
		£500000			£500000

Dr. **Vendor's A/c. (Walter Nicotine).** **Cr.**

1914.			1914.		
Jan. 7	To Deferred Share Capital ...£100000	– –	Jan. 1	By Purchase A/c.	£267000 – –
Apr. 30	„ Bank	169783 6 8	Apr. 30	Interest on £167000 at 5% for 4 mos.	2783 6 8
		£269783 6 8			£269783 6 8

383. PRELIMINARY or **FORMATION EXPENSES** include the cost of the preparation, circulation and advertising of the prospectus, the preparation and printing of the Memorandum and Articles of Association, the fees payable on filing the necessary documents with the Registrar, and generally all legal, accountancy and other work transacted on behalf of the company until the allotment of shares or the issue of the Share Certificate. Unless paid by the promoter or vendor, it is usual to take powers in the Memorandum to pay such expenses ; in which case the payment must be entered in the C.B. and posted to the debit of a *Preliminary Expenses A/c.* This amount must be *written off* as quickly as practicable, either from " Forfeited Shares A/c.," " Premiums on Shares A/c.," or by an annual charge against the profits of the business, equally divided over a limited number of years, not exceeding ten, but preferably five years. The following shows the duty, fees, and stamps payable together with an estimate of the expenses incurred in the formation of " Nicotine, Limited."

Duty on Capital	£1250	–
Fee Stamp on Memorandum of Association	48	15
Deed Stamp on Ditto		10
Deed Stamp on Articles of Association		10
Fee Stamp on Ditto		5
Fee Stamp on Notice of Office		5
Stamp on Debenture at 2/6%	62	10
Stamp on Purchase Deed at 10/-%	2500	–
Printing and Advertising	137	5
Legal Charges, Accountancy Expenses, Underwriters and Brokers Commission	1000	–
	£5000	–

384. APPLICATION AND ALLOTMENT. A form of application for shares or stock is usually attached to, or enclosed along with the prospectus. This form is filled up by the applicant and forwarded to the company's banker, together with a cheque for the amount of the application money (not less than five per cent. of the nominal amount of each share), which must be entered in the Cash Book, either direct from the application forms, or the list supplied by the banker. Upon receipt of sufficient applications for shares to justify the company going to allotment, the Directors meet and pass a resolution allotting the shares to such applicants as they think fit, and the Secretary then forwards **Letters of Allotment** requesting payment of the amount due on allotment to those persons receiving an allotment, and **Letters of Regret,** with cheques for the return of the deposit to those whose applications are refused. The total amount due on application and allotment must be entered in the Journal, in which the shareholders' names need not be inserted, if an **Application and Allotments Book** is used, from which the entries may be posted to the **Share Ledger.** Any application money returned, as well as the amounts received on allotment, must be entered in the Cash Book, the latter amounts being posted to the Share Ledger.

385. In the Model Exercise, as indicated above, the shortest method of recording the receipts of the various instalments of Capital is adopted, but in the case of large companies it is considered more convenient to have a *separate* account for each instalment of shares ; *e.g.*,

Application A/c., Allotment A/c., 1st Call A/c., 2nd Call A/c. When separate accounts are thus kept they need adjustment when the shares are over-subscribed, as the sum standing to the credit of the Application A/c. would be more than the amount due. The Application A/c. would therefore be debited and Allotment A/c. credited with the amount paid in excess. Where Letters of Regret have to be sent out, Application A/c. is debited and Sundry Applicants credited with the total amount returnable to Applicants who receive no allotment or partial allotment, or the amount returned is posted direct from the Cash Book to the debit of Application A/c. The excess of receipts on the Application in the Model Exercise, is fully recorded in the following Journal entries and Accounts :—

1914.		Dr.	Cr.
Jan. 4.	Preference Share Application A/c. .....Dr.	£50000	
	To Preference Share Capital A/c.		£50000
	Being £2 10 0 *per share due on* 20000 *shares.*		
,, 4.	Ordinary Share Application A/c. .....Dr.	50000	
	To Ordinary Share Capital A/c.		50000
	Being £2 10 0 *per share due on* 20000 *shares.*		
,, 7.	Preference Share Allotment A/c. .....Dr.	100000	
	To Preference Share Capital A/c.		100000
	Being £5 *per share due on* 20000 *shares.*		
,, 7.	Ordinary Share Allotment A/c. .....Dr.	100000	
	To Ordinary Share Capital A/c.		100000
	Being £5 *per share due on* 20000 *shares.*		
Feb.28.	Preference Share First Call A/c. .....Dr.	25000	
	To Preference Share Capital A/c.		25000
	Being £1 5 0 *per share due on* 20000 *shares.*		
,, 28.	Ordinary Share First Call A/c.....Dr.	25000	
	To Ordinary Share Capital A/c.		25000
	Being £1 5 0 *per share due on* 20000 *shares.*		
Apl.30.	Preference Share Second Call A/c. .....Dr.	25000	
	To Preference Share Capital A/c.		25000
	Being £1 5 0 *per share due on* 20000 *shares.*		
,, 30.	Ordinary Share Second Call A/c. .....Dr.	25000	
	To Ordinary Share Capital A/c.		25000
	Being £1 5 0 *per share due on* 20000 *shares.*		
	Preference Share Application A/c. .....Dr.	15000	
	To Preference Share Allotment A/c.		15000
	Being amount paid in excess on application, and now transferred to allotment (*Wilson* 3000 *shares*, *Bailey* 3000 *shares*).		
	Ordinary Share Application A/c. .....Dr.	17000	
	To Ordinary Share Allotment A/c.		17000
	Being amount paid in excess on application, and now transferred to allotment (*Whitehead* 300 *shares*, *Harris* 500 *shares*, *Wilson* 5000 *shares*, *Bailey* 500 *shares*).		
	Ordinary Share Application A/c. .....Dr.	5000	
	To Fred Harris		5000
	Being amount paid in excess on application, and now returnable to applicant.		

Ordinary Share Application A/c. .....Dr.		£625	
To Ordinary Share First Call A/c.			£625
Being amount paid in excess of application by F. Harris on 500 shares and now transferred to First Call A/c.			
Ordinary Share Application A/c. .....Dr.		625	
To Ordinary Share Second Call A/c.			625
Being amount paid in excess on application by F. Harris on 500 shares and now transferred to Second Call A/c.			

N.B.—See remainder of Journal on page 450.

Dr. **Ordinary Share Application A/c.** **Cr.**

1914.		£	1914.		£
Jan. 4	To Capital A/c.	50000	Jan. 4	By Cash from Sundry Applicants	73250
	„ Transfer to Allotment A/c. .	17000			
	„ Cash returned	5000			
	„ Transfer to 1st Call	625			
	„ Transfer to 2nd Call	625			
		£73250			£73250

Dr. **Ordinary Share Allotment A/c.** **Cr.**

1914.		£	1914.		£
Jan. 7	To Capital A/c. 100000		Jan. 9	By Cash from Sundry Shareholders ...	83000
				„ Transfer from Application A/c.	17000
		£100000			£100000

Dr. **Ordinary Share First Call A/c.** **Cr.**

1914.		£	1914.		£
Feb.28	To Capital A/c.	25000	Feb.28	By Cash from Sundry Shareholders ...	23750
				„ Transfer from Application A/c.	625
				„ Forfeited Shares ..	625
		£25000			£25000

Dr. **Ordinary Share Second Call A/c.** **Cr.**

1914.		£	1914.		£
Apr.30	To Capital A/c.	25000	Apr.30	By Cash from Sundry Shareholders ...	23000
				„ Transfer from Application A/c.	625
				„ Forfeited Shares ..	625
				„ Balance unpaid ..	750
		£25000			£25000

Dr. Preference Share Application A/c. Cr.

1914.		£	1914.		£
Jan. 4	To Capital A/c.	50000	Jan. 4	By Cash from Sundry Applicants	65000
	,, Transfer to Allotment A/c. .	15000			
		£65000			£65000

Dr. Preference Share Allotment A/c. Cr.

1914.		£	1914.		£
Jan. 7	To Capital A/c.	100000	Jan. 9	By Cash from Sundry Shareholders ...	85000
				,, Transfer from Application A/c.	15000
		£100000			£100000

Dr. Preference Share First Call A/c. Cr.

1914.		£	1914.		£
Feb 28	To Capital A/c.	25000	Feb.28	By Cash from Sundry Shareholders ...	24500
				,, Forfeited Shares ..	500
		£25000			£25000

Dr. Preference Share Second Call A/c. Cr.

1914.		£	1914.		£
Apr.30	To Capital A/c.	25000	Apr.30	By Cash from Sundry Shareholders ...	23000
				,, Forfeited Shares ..	500
				,, Balance unpaid ..	1500
		£25000			£25000

386. CALLS are requests for payments of instalments due on shares, and are made either in accordance with the terms of the Prospectus or by the order of the Directors. The total amount due on each call must be journalised, but the shareholders' names need not be entered if a **Call Book** or " Register of Calls " is used, from which the entries may be posted to the Share Ledger. The cash received in response to the **Call Letter** must be recorded in the Cash Book and posted to the Share Ledger. On **Calls paid in advance** it is usual to allow interest, which, when paid, need only be entered in the Cash Book as shown, or, if preferred, the transaction may be previously journalised thus :—

Interest A/c. .....*Dr.* £14 5 10
To Fred Harris £14 5 10

Interest must be charged on **Calls in Arrear** and journalised like transaction No. 15.

CALL BOOK.

First call of 25/- a share made 7th February. Payable 28th February.

Share Ledger Folio.	Name of Shareholder.	No. of Shares held.	Amount due.	Date paid.	Interest	Remarks
				1914		
1	John Heaps	1000	£1250	Feb.28		
2	George Parker	400	500	„ 28		

387. FORFEITED SHARES. The Articles of Association usually provide that in the event of non-payment of calls, the Directors may, after having given due notice of their intention to the defaulting shareholder, proceed by resolution to forfeit his shares. The entries giving effect to forfeiture would have to be made through the Journal by writing off to a "Forfeited Shares A/c." whatever amounts had been paid upon the shares; and writing back the calls outstanding, and so closing the Share Ledger A/c. (*See transaction No.* 14). Until the shares are re-issued, the amount paid up on the forfeited shares must be shown as a Liability in the B/S., but when the shares are again disposed of, the bal. of the *Forfeited Shares A/c.* may be either credited to a Reserve Fund or applied towards the liquidation of an unrealisable asset, such as Preliminary Exs. or Goodwill. The Directors have power to re-issue such shares at a dis. not exceeding the amount originally paid up thereon; and when this is done the resulting deficiency of the *Share Cap. A/c.* must be recovered from the *Forfeited Shares A/c.* by means of a journal entry. Any member whose shares have been forfeited is still liable to pay all calls owing upon such shares *at the time of the forfeiture*, unless the articles do not contain a provision empowering the Directors to recover.

388. TRANSFER OF SHARES. The main distinction between a partnership and a company is that in the latter the members can **sell** and transfer their shares without the consent of their co-members, unless specially forbidden by the Articles of Association. The

original allottee of the shares of a company remains entitled to the benefit and subject to the obligations of the shares until he has got rid of them either by (*a*) transfer on sale or otherwise (*b*) death or bankruptcy or (*c*) forfeiture or surrender. The first two are commonly referred to as the *Transfer and Transmission of Shares.* After the Form of Transfer has been completed by the parties and deposited with, and passed by, the Secretary, he will record the transaction in the **Register of Transfers,** from which it will be posted to the Share Ledger to the credit of the transferor, and to the debit of a new a/c. in the name of the transferee. It will thus be seen that the registration of a change of ownership of certain shares does not affect the *Financial Books*, this transaction being merely entered in one of the *Statistical Books.* The *market price* of the shares does *not* affect the records in the books of the company. On the **death** of a shareholder his interest in a company passes to his executor or administrator, who must produce to the secretary of the company the **Probate** of the **Will** of the deceased shareholder, or Letters of Administration of his estate, before the secretary can register the name or names of the executors or administrators. In the case of a **bankruptcy** the right to deal with and to receive the profits of the shares at once vests in the trustee, and he is entitled either to transfer the shares or to have himself registered as a shareholder. It is usual to charge a **Registration Fee** of 2/6 on each transfer. These fees are posted from the C.B. to a *Registration Fees A/c.*; the total amount being transferred on balancing to the Cr. side of the last section of the P. & L. A/c.

REGISTER OF TRANSFERS (*Ordinary*).

Date.	No. of Transfer.	Transferor.			Transferee.				No. of Shares.	Distinctive Numbers.		Remarks.
		Fo. in Share Ledger.	Name.	Address.	Fo. in Share Ledger	Name	Address.	Occupation.		From	To	
1914 May 2	1	2	George Parker	Vernon Rd., Leeds.	12	John Heaps	8 Bath St., Batley.	Merchant	100	501	600	

Specimen of COMMON TRANSFER DEED.

Impressed Stamp £5 0s. 0d.

Certificates for 100 *Ordinary* Shares in Company's Office.
Nicotine, Ltd.,
Arthur Fieldhouse,
Secretary.

I, George Parker *of Vernon Road, Leeds, in the County of York, Cashier,* in consideration of the sum of *One thousand pounds*, paid by **John Heaps,** of 8 *Bath Street, Batley, in the County of York, Merchant,* hereinafter called the said Transferee.

Do hereby bargain, sell, assign, and transfer to the said Transferee :—100 (*One hundred*) *Ordinary Shares of* £10 (*Ten Pounds*) *each, numbered* 501 *to* 600 *all inclusive,* of and in the undertaking called *Nicotine, Limited.*

To hold unto the said Transferee, his Executors, Administrators and Assigns, subject to the several conditions on which *I* held the same immediately before the execution hereof ; and *I* the said Transferee do hereby agree to accept and take the said *shares* subject to the conditions aforesaid.

As Witness our Hands and Seals, this *second* day of *May,* in the Year of Our Lord One thousand nine hundred *and fourteen.*

Witness's
Signed, sealed, and delivered by the above-named *George Parker,* in the presence of
Signature..... *T. Burgess*.....
Address.. 16 *Clarendon Street, Leeds* ..
Occupation..... Clerk .....

GEORGE PARKER SEAL.

Witness's
Signed, sealed, and delivered by the above-named *John Heaps,* in the presence of
Signature..... *Edward Clarke*.....
Address.. 13 *Beverley Terrace, Batley*..
Occupation..... *Engineer* .....

JOHN HEAPS SEAL.

Specimen SHARE CERTIFICATE.

Certificate No. 12. **Ordinary Shares.** No. of Shares 100.

NICOTINE LIMITED.

Incorporated under the Companies' (Consolidation) Act, 1908.

CAPITAL, £500,000,

divided into
20,000 5% Cumulative Preference Shares of £10 each.
20,000 7% Ordinary Shares of £10 each.
10,000 Deferred Shares of £10 each.

This is to Certify *that John Heaps of* 8 *Bath Street, Batley, is the Registered Proprietor of One hundred fully paid Ordinary Shares of Ten Pounds each numbered* 501 *to* 600, *in Nicotine, Limited, subject to the Memorandum and Articles of Association of the said Company.*

SEAL.

Given *under the Common Seal of the said Company this fifth day of May,* 1914.

WALTER NICOTINE,
EDWIN WILSON, } *Directors.*
ARTHUR FIELDHOUSE, Secretary.

NOTE.—No Transfer of the above shares can be registered unless accompanied by this Certificate.

389. CAPITAL and REVENUE. Revenue, strictly speaking, is the annual income, profits, interest, or return of any species of property, real or personal. The expression **Revenue A/c.** is a generic term embracing *all* accounts dealing with income, earnings, or profits, against which are charged the costs, expenses, and losses connected therewith, during a given period, the excess of revenue, in the case of a joint stock company, being available for distribution among the shareholders. "Revenue A/c." "Profit and Loss A/c." and "Income and Expenditure A/c." are synonymous terms, the first named being principally applied to the a/cs. of railway, lighting and water companies, while "Profit and Loss A/c." is a term used by trading concerns, and "Income and Expenditure A/c." by non-trading associations. The theoretical P. & L. A/c. may be sub-divided into (1) Trading A/c. (2) P. & L. A/c. (3) Appropriation A/c. or into (1) Manufacturing A/c. (2) Trading A/c. (3) P. & L. A/c. (4) Appropriation A/c., according as the business is concerned with trading only, or with both manufacturing and trading. The Manufacturing A/c. shows the cost of production, the Trading A/c. the gross profit on trading, the P. & L. A/c. the net profit or loss on the business as a whole. and the Appropriation A/c. the disposition of the profit. The theoretical Income and Expenditure A/c. of a non-trading association may also be sub-divided into (1) Income and Expenditure A/c. for the period under review, (2) Appropriation A/c.

390. It is most important, on the one hand, that *none* of the **Capital** or **Assets** should be accounted as income and distributed, and on the other hand, that all expenses, losses and charges incurred in the production of the income, should be duly debited against the same. The subject has necessarily already received much attention in a graduated manner in several parts of the book, particularly in paragraph 81. To put it shortly, all money expended in purchasing, constructing, or equipping any kind of property which helps in the production of profit or revenue ; as well as that expenditure incurred in permanently improving, enlarging, or

extending any kind of property, so as to increase the revenue earning capacity thereof, is known as **Capital Expenditure,** and should be debited to the a/c. of the particular asset affected thereby, and *not* charged to revenue, as it causes *no loss*. On the other hand, however, all payments made in respect of renovations, repairs, replacements, etc., which merely have the effect of *maintaining* the value of any existing asset, are "working expenses," causing a loss to the Proprietor, and are therefore known as **Revenue Expenditure ;** and should be debited to the Revenue or P. & L. A/c. or one of their sub-divisions.

391. Carefully study the a cs. on pages 274-5, from which it will be seen that there should be debited to revenue, the cost of everything consumed in the process of manufacture, as well as the wages, salaries, rents, royalties, taxes, and all other expenses attending the packing, warehousing, carrying, selling, and distributing of either materials or finished articles ; also those losses which are incurred during the period under review, such as repairs and replacements to property, depreciation or reserves on the various assets, interest on capital or loans, sinking fund charges and income tax. Particularly in the purchase of new plant, machinery and tools, it is necessary to distinguish which should be charged to capital and which to revenue. For instance, if any part of the purchase is to *replace* loose tools, the amount should, undoubtedly, be charged to revenue ; but if to *increase* or *augment* the existing stock, then the amount should be debited to capital ; *i.e.*, the "*Loose Tools A/c.*" which is presumed to have been duly depreciated at each balancing. In the case of the sale of any asset at a lower figure than that at which it stands in the books ; say, of a horse for £5, which stood at £10 ; the difference or loss of £5, should, at the time of the sale, be charged to revenue by debiting the Depreciation A/c. See the Suspense A/c., par. 182, as to the adjustment of expenses either unpaid, or paid in advance, at the time of balancing. Also see chapter on the Double A/c. system.

392. INCOME TAX should always be deducted at the **full rate** on the payment of interest on Debentures, as well as from the Dividends payable in respect of Pref. Shares, otherwise an injustice would be done to the Ordinary Shareholders. It is quite immaterial whether the tax is deducted or not on the Ordinary Shares, and the statement that " the dividends are payable *free of income tax* " merely indicates that the *gross* dividend declared will be paid to the shareholder, who will **not** be required to pay any further tax upon this source of income, as the Company has already paid the tax upon the whole of the profits earned. No *individual* shareholder is ever called upon to pay tax upon dividends received from a public company ; on the contrary he is entitled to return of the tax on such dividends if his total income does not exceed £130 per annum. In the model exercise the tax is charged at 1/- (although at present 4/-) in the £ for convenience of calculation and typesetting, and the taxable profit is ascertained thus :

Take the *Balance* of the 1st section of the P.&L.a/c.		£55054	–	–
Add Interest on Calls and Registration Fee		75	2	6
Add Reserve for Doubtful Debts and Discounts		1596	–	–
Add Depreciation £15900				
Less Depreciation on Machinery ...	3500	12400	–	–
		£69125	2	6
Less Directors' Fees.....		1000	–	–
Profit liable to Income Tax		£68125	2	6
Amount payable at 1/- in the £.....		3406	5	–
Less Tax on Debenture Interest £100				
Less Tax on Preference Dividends ...	490	590	–	–
Amount to be charged to the P. & L. a/c.		£2816	5	–

Dr. **Income Tax Collector.** **Cr.**

			£	s.	d.
1914.					
June 30	By Interest A/c. (Debentures)		50	–	–
,, ,,	,, Dividend A/c. (Pref. Shs.)		245	–	–
Dec. 31	,, Interest A/c. (Debentures)		50	–	–
,, ,,	,, P. & L. A/c. (Tax on Profits)		2816	5	–
1915.					
Mar. 6	,, Dividend A/c. (Pref. Shs.)		245	–	–

393. PROFITS AND DIVIDENDS. As to what profits are available for dividend, and the manner in

which the same are divided between the holders of shares must be determined in accordance with the Memorandum or Articles of Association ; while Interest on Debentures is reckoned exactly from the date of the receipt of the instalments. Dividends on shares are generally declared for an even period irrespective of the receipt of the cash. Dividends upon *partly-paid* shares are usually paid according to the amounts respectively *paid up* thereon, and *not* according to the nominal amount of the shares ; moneys paid in advance of calls, and carrying interest, being, of course, excluded from the amounts deemed to be paid up on the shares for this purpose. Where the Directors have power and are satisfied that there are profits to divide, they may declare an **Interim Dividend,** which is a dividend declared before the expiration of the ordinary financial period, either on a/c. of current profits, or out of accumulations. No dividend should be declared on Ordinary or Deferred Shares where the Revenue a/c. shows a loss on the working, or where the profit earned does not extinguish and exceed any previous losses ; unless there is a Reserve Fund, out of which it is competent for the Directors to make a distribution. Dividends cannot be paid out of capital, even if the Memorandum or Articles of Association authorise such a payment, as it would be in fact a reduction in capital. Directors who wilfully pay dividends out of capital are personally liable to make good the amount. Shareholders who receive dividends knowing that they are paid out of capital may be ordered to indemnify the directors to the extent of the amounts they have so received.

394. Section 91 of the Companies (Consolidation) Act, authorises the **payment** of **interest** out of **capital** where any shares of a company are issued for the purpose of raising money to defray the **expenses** of the **construction** of any works or buildings, or the provision of any plant, which cannot be made profitable for a *lengthened period*, but subject to the following restrictions :—(1) The payment can only be made if authorised by the Articles or by special resolution, and sanctioned

by the **Board of Trade ;** (2) The payment must only be for the period determined by the Board of Trade, not extending beyond the half-year succeeding that in which the works are completed or the plant provided ; (3) The rate of interest must not exceed 4 per cent., or such lower rate as may be prescribed by Order in Council ; (4) The accounts of the company must show the capital on which, and the rate at which, interest is paid during the period to which the accounts relate.

395. Where there are many shareholders it is convenient to keep a **Dividend Account Book** or List in which to enter all the details. A single cheque should be drawn for the whole amount of the dividend, and paid into a separate banking a/c., against which the dividend warrants for each amount should be issued, thus the balance on this banking (dividend) a/c. will show the amount of **dividends unclaimed,** which should be shown among the liabilities in the B/S.

396. The **dividend** is **paid** to the shareholders actually registered in the books of the company before the date fixed for the payment, irrespective of the date when the shares were purchased. Large companies always **close** the **Registers** for a week or more prior to the payment of a dividend, so as to stop the registration of new holders while the Dividend List is being prepared. An announcement to this effect is advertised in the financial and other newspapers, thus :—

NICOTINE, LIMITED .— TRANSFER BOOKS will be closed from Monday, the 22nd inst., to Tuesday, the 30th inst., inclusive, for preparation of Dividend Warrants.
ARTHUR FIELDHOUSE, Secretary,
50 Austinfriars, London, E.C.

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397. The **Circulars** announcing the dividend are usually printed in book form, being perforated into two portions, the upper one being the Dividend Statement and the lower one the Dividend Warrant drawn upon the Company's Bankers. The names and amounts are filled in from the Dividend List and dispatched to the

registered shareholder, who would pay the warrant into his banking a/c. in the usual way. Where a shareholder is entitled to repayment of the Income Tax on the dividend it would be necessary for him to attach the Dividend Statement to the Form of Claim to be sent to the Inland Revenue Department.

Dividend Register or Sheet.

Interim Dividend on Preference Shares paid 30th June, 1914.

N.B.—The tax payable by a Limited Company on its profits, however small, is always at the *full rate.* But for convenience of calculation and typesetting it has been reckoned at 1/- in the £, although it is 4/- at present.

Folio in Register.	Name of Shareholder.	Number of Shares.	Amount of Shares.	Dividend at 2½%.	Income Tax deducted at 1/- in the £.		Net amount payable.		Remarks.
			£	£	£	s.	£	s.	
1	John Heaps ..	1000	10000	250	12	10	237	10	
2	Geo. Parker ..	400	4000	100	5	–	95	–	
3	David Eaves .	1000	10000	250	12	10	237	10	
4	J. Whitehead	2000	20000	500	25	–	475	–	
5	Geo. McAdam	1200	12000	300	15	–	285	–	
6	Fred Harris ..	5000	50000	1250	62	10	1187	10	
7	Alb. Bowler ..	2500	25000	625	31	5	593	15	
8	Chas. Spencer	1500	15000	375	18	15	356	5	
9	Edwin Wilson	2000	20000	500	25	–	475	–	
10	Ernest Bailey.	3000	30000	750	37	10	712	10	
		19600	196000	4900	245	–	4655	–	

Dr. **Dividend A/c.** **Cr.**

		£			£
1914.			1914.		
June 30	To Income Tax A/c. (1/- in the £ on £4900 Pref.Div.)	245	June 30	By P. & L. Appropriation A/c.	
„ „	To Cash :—			Preference Div.	4900
	Sundry Pref.Shareholders	4655		Ordinary Div.	6825
	Do. Ordy. „	6825		Deferred Div...	3500
	Do. Defd. „	3500			
1915.			1915.		
Mar. 6	To Income Tax A/c. (1/- in the £ on £4900 Pref. Div.)	245	Mar. 6	By P. & L. Appropriation A/c.	
„ 13	To Cash :—			Preference Div.	4900
	Sundry Pref.Shareholders	4655		Ordinary Div. .	12675
	Do. Ordy. „	12675		Deferred Div...	6500
	Do. Defd. „	6500			
		£39300			£39300

398. A P/L. Appropriation A/c. is often prepared for the purpose of showing the disposition or application of the net profit. This A/c. is *credited* with the net profit brought from the P. & L., or Revenue A/c., also the undivided profit or balance b/f. from the previous balancing ; while the *Dr. side* shows the amount placed to the

Reserve Fund, the dividends to be paid, and the balance c.f. to the next a/c. (see Appropriation A/c. to Model Exercise of Nicotine, Ltd.). When an Appropriation A/c. is not used, the disposition of the profit may be shown in the B/S., where the **net profit** for the **current period** must be shown separate from the balance **brought forward** from the previous balancing, thus :—

Profit & Loss A/c. :—

Balance b/f. 1st January, 1913	£1560	
Add Net Profits for the year ..	17985	—19545
Less Interim Dividend paid	5720	
		———£13825.

After the a/cs. have been submitted to, and passed by, the shareholders, and the proposed appropriation has been sanctioned by them at the General Meeting, these transactions may be journalised.

NICOTINE, LIMITED.

Journal of Model Exercise (page 388).

N.B.—See other portion of Journal on page 438.

1914.		*Dr.*	*Cr.*
Jan. 1.	Freehold Tobacco Factory .....Dr.	£2000	
	Leasehold Tobacco Factory ..... „	6000	
	Machinery, Fixtures & Plant ..... „	70000	
	Sundry Debtors ..... „	90000	
	Tobacco, &c. ..... „	210000	
	Goodwill ..... „	122000	
	To Walter Nicotine (Purchase A/c.)		£500000
	Being Sundry Assets acquired by the Coy. this day as per resolution of the Board No... confirming Agreement of this date between the Company and Walter Nicotine.		
	Walter Nicotine (Purchase A/c.)..Dr.	233000	
	To Sundry Creditors		233000
	Being Sundry Liabilities taken over by the Company this day as per resolution, &c.		
„ 7.	Walter Nicotine (Share A/c.) .....Dr.	100000	
	To Deferred Share Cap. A/c.		100000
	For 10,000 Shares allotted to Walter Nicotine this day as fully paid up in part payment of purchase money, as per resolution of the Board No... confirming Agreement of this date between the Company and Walter Nicotine duly filed with the Registrar of Joint Stock Companies.		

1914.		Dr.	Cr.
Jan. 7.	Walter Nicotine (Purchase A/c.)	£100000	
	To Walter Nicotine (Share A/c.) ...		£100000
„ 7.	Sundry Shareholders (*Separate A/cs.*)		
	To Preference Share Capital A/c. (Application and Allotment)		150000
	To Ordinary Share Capital A/c. .... (Application and Allotment)		150000

	Pref.	Ordy.		
John Heaps.....	1000	500	11250	
George Parker	400	200	4500	
David Eaves	1000	2000	22500	
John Whitehead.....	2000	2200	31500	
Joe Swift	400	500	6750	
George McAdam.....	1200	600	13500	
Fred Harris	5000	500	41250	
Albert Bowler	2500	3000	41250	
Charles Spencer	1500	1000	18750	
Edwin Wilson	2000	5000	52500	
Ernest Bailey	3000	4500	56250	

For 40,000 shares allotted to the above persons upon which £2 10 – has already been paid ; and a further £5 per share is now due.

„ 7.	Beckett & Co.	51000	
	To 4% Debenture Stock A/c.		50000
	„ Debenture Premium A/c.		1000

For total amount due (including premium) on application and allotment of 4% Mortgage Debenture Stock.

Feb. 28.	Sundry Shareholders (*Separate A/cs.*)		
	To Pref. Sh. Cap. A/c. (1st Call) ..		25000
	„ Ordy. Sh. Cap. A/c. (1st Call)		25000

	Pref.	Ordy.		
John Heaps.....	1000	500	1875	
George Parker	400	200	750	
David Eaves	1000	2000	3750	
John Whitehead.....	2000	2200	5250	
Joe Swift	400	500	1125	
George McAdam.....	1200	600	2250	
Fred Harris	5000	500	6875	
Albert Bowler	2500	3000	6875	
Charles Spencer	1500	1000	3125	
Edwin Wilson	2000	5000	8750	
Ernest Bailey	3000	4500	9375	

For 1st Call of £1 5 – per share on 40,000 shares due this day.

Apl. 30.	Sundry Shareholders (*Separate A/cs.*)		
	To Pref. Sh. Cap. A/c. (2nd Call) ..		25000
	„ Ord. Sh. Cap. A/c. (2nd Call) ..		25000

1914.		Pref.	Ordy.	Dr.	Cr.
Apl. 30.	John Heaps	1000	500	£1875	
	George Parker	400	200	750	
	David Eaves	1000	2000	3750	
	John Whitehead	2000	2200	5250	
	Joe Swift	400	500	1125	
	George McAdam	1200	600	2250	
	Fred Harris	5000	500	6875	
	Albert Bowler	2500	3000	6875	
	Charles Spencer	1500	1000	3125	
	Edwin Wilson	2000	5000	8750	
	Ernest Bailey	3000	4500	9375	
	For 2nd Call of £1 5 – per share on 20,000 Ordinary and 20,000 Preference Shares due this day.				
Apl. 30.	Interest A/c.			2783/6/8	
	To W. Nicotine (Purchase A/c.)				£2783/6/8
	For Interest at the rate of £5% per ann. for 4 mos. on £167,000 being balance of purchase money.				
June 30.	Interest A/c.			50	
	To Income Tax Collector				50
	For Tax at 1/- in the £ on ½ year's Interest on Debentures.				
June 30.	P. & L. Appropriation A/c.			14980	
	To Div. A/c. 2½% Pref. Shs. (less tax)				4655
	,, Do. 3½% Ordinary Shares				6825
	,, Do. 3½% Deferred Shares				3500
	Being the aggregate amount of Interim Dividends declared by the Directors at a Meeting held this day				
Nov.30.	Preference Share Capital A/c.			4000	
	Ordinary Share Capital A/c.			5000	
	To Forfeited Shares A/c.				9000
	Being 400 Pref. Shares Nod. 4401 to 4800 and 500 Ord. Shares Nod. 4901 to 5400 forfeited by a resolution of the Directors on this date.				
	Forfeited Shares A/c.			2250	
	To Joe Swift				2250
	For transfer of balance unpaid on 400 Pref. and 500 Ordinary Shares.				
Dec. 31	George McAdam			75	
	To Interest A/c.				75
	Being interest at the rate of 5% per ann. on £2250, being the amount unpaid on 2nd call.				

1914.		Dr.	Cr.
Dec. 31.	Purchase A/c.	£250000	
	To Sundry Creditors		£250000
	Sundry Creditors	1750	
	To Discounts		1750
	Sundry Debtors	400000	
	To Sales A/c.		400000
	Discounts	3000	
	To Sundry Debtors		3000
	Interest A/c.	50	
	To Income Tax Collector		50
	For Tax at 1/- in the £ on ½ year's Interest on Debentures.		
	Bad Debts	600	
	To Sundry Debtors		600
	Debenture Premium A/c.	1000	
	To Preliminary Expenses		1000
	Profit & Loss A/c.	1596	
	To Reserve for Doubtful Debts & Discount at 1½%		1596
	Profit & Loss A/c. (Depreciation)....	15900	
	To Freehold Property (2½%)		50
	„ Leasehold Property (2½%)		150
	„ Machinery, &c. (5%)		3500
	„ Goodwill (10%)		12200
	Profit & Loss A/c.	3306/5	
	To Income Tax Collector		3306/5
	For Tax at 1/- in the £ on Taxable Profit.		
1915.			
Mar. 6.	P. & L. Appropriation A/c.	23830	
	To Div. A/c. 2½% Pref.Shs.(lesstax)		4655
	„ Do. 6½% Ordinary Shares		12675
	„ Do. 6½% Deferred Shares		6500
	Being the aggregate amount of Divs. voted by Shareholders at General Meeting held this day.		
Mar. 6.	P. & L. Appropriation A/c.	4000	
	To Preliminary Expenses A/c.		4000
	Being the amount transferred to extinguish the latter a/c. by resolution of General Meeting held this day.		
Mar. 6.	P. & L. Appropriation A/c.	3000	
	To Reserve Fund A/c.....		3000
	Being the amount transferred to latter a/c. by resolution of General Meeting held this day.		

NICOTINE, LIMITED. SHARE LEDGER (Ordinary).

JOHN HEAPS, 8 Bath Street, Batley, Merchant.

CASH ACCOUNT. SHARE ACCOUNT.

Dr. Amount payable.					Cash paid.			Cr.	Shares acquired.					Shares Transferred.					Balance of Shares.
Date.	Particulars.	Amount called up.	Fo.	Amount.	Date.	Particulars.	Fo.	Amount	Date.	No. of Transfer or Allotment.	No. of Shares acquired.	Inclusive Numbers. From	To	Date	Transfer No.	No. of Shares Transferred.	Inclusive Numbers. From	To	
1914.				£	1914.			£	1914.										
Jan. 7	To Share Cap. Application &				Jan. 4	By Cash, Appl.	CB1	1250	Jan. 7	1	500	1	500						500
	Allotment ..	150	J. 1	3750	,, 9	,, do. Allot.	CB1	2500	May 2	1	100	501	600						600
Feb. 28	,, Share Cap.:	s.			Feb. 28	,, do. 1st Call	CB1	625											
	First Call ...	25	J. 2	625	Apr. 30	,, do. 2nd Call	CB1	625											
Apr. 30	,, Share Cap.:	s.																	
	Second Call .	25	J. 2	625															
				£5000				£5000											

GEORGE PARKER, Vernon Road, Leeds, Cashier.

1914.				£	1914.			£	1914.					1914.					
Jan. 7	To Share Cap. Application &				Jan. 4	By Cash, Appl.	CB1	500	Jan. 7	2	200	501	700	May 2	1	100	501	600	100
	Allotment ..	150	J. 1	1500	,, 9	,, do. Allot.	CB1	1000											
Feb. 28	,, Share Cap.:	s.			Feb. 28	,, do. 1st Call	CB1	250											
	First Call ...	25	J. 2	250	Apr. 30	,, do. 2nd Call	CB1	250											
Apr. 30	,, Share Cap.:	s.																	
	Second Call .	25	J. 3	250															
				£2000				£2000											

DAVID EAVES, 1 Mount Street, Hull, Schoolmaster.

1914.				£	1914.			£	1914.					
Jan. 7	To Share Cap.: Application & Allotment ..	s. 150	J. 1	15000	Jan. 4	By Cash, Appl.	CB1	5000	Jan. 7	3	2000	701	2700	2000
					,, 9	,, do. Allot.	CB1	10000						
Feb. 28	,, Share Cap.: First Call ...	s. 25	J. 2	2500	Feb. 28	,, do. 1st Call	CB1	2500						
					Apr. 30	,, do. 2nd Call	CB1	2500						
Apl. 30	,, Share Cap.: Second Call .	s. 25	J. 2	2500										
				£20000				£20000						

JOHN WHITEHEAD, 76 Portman Road, Bolton, Surveyor.

1914.				£	1914.			£	1914.					
Jan. 7	To Share Cap.: Application & Allotment ..	s. 150	J. 1	16500	Jan. 4	By Cash, Appl.	CB1	6250	Jan. 7	4	2200	2701	4900	2200
					,, 9	,, Allot.	CB1	10250						
Feb. 28	,, Share Cap.: First Call ...	s. 25	J. 2	2750	Feb. 28	,, do. 1st Call	CB1	2750						
					Apl. 30	,, do. 2nd Call	CB1	2750						
Apl. 30	,, Share Cap.: Second Call .	s. 25	J. 2	2750										
				£22000				£22000						

JOE SWIFT, Moor Lane, Sheffield, Engineer.

1914.				£	1914.			£	1914.					
Jan. 7	To Share Cap.: Application & Allotment ..	s. 150	J. 1	3750	Jan. 4	By Cash, Appl.	CB1	1250	Jan. 7	5	500	4901	5400	
					,, 9	,, do. Allot. .	CB1	2500						
Feb. 28	,, Share Cap.: First Call ...	s. 25	J. 2	625	Nov. 30	,, Forfeited Shares A/c.	J. 3	1250						
Apl. 30	,, Share Cap.: Second Call .	s. 25	J. 2	625										
				£5000				£5000						

GEORGE McADAM, Peel Place, Edinburgh, Solicitor.

1914.				£	1914.			£	1914.							
Jan 7	To Share Cap.: Application &	s.			Jan. 4	By Cash, Appl.	CB1	1500	Jan. 7	6	600	5401	6000			600
	Allotment ..	150	J. 1	4500	,, 9	,, do. Allot	CB1	3000								
Feb. 28	,, Share Cap.:	s.			Feb. 28	,, do. 1st Call	CB1	750								
	First Call ...	25	J. 2	750	Dec. 31	,, *Balance..c/f*		775								
Apl. 30	,, Share Cap.:	s.														
	Second Call .	25	J.2	750												
Dec. 31	,, Interest ...			25												
				£6025				£6025								

FRED HARRIS, Broadway, Bexley Heath, Book-keeper.

1914.				£	1914.			£	1914.							
Jan. 7	To Share Cap.: Application &	s.			Jan. 4	By Cash, Appl.		10000	Jan. 7	7	500	6001	6500			500
	Allotment ..	150		3750												
,, 9	,, Cash			5000												
Feb. 28	,, Share Cap.:	s														
	First Call ...	25		625												
Apl. 30	,, Share Cap.:	s.														
	Second Call .	25		625												
				£10000				£10000								

ALBERT BOWLER, 5 Queen's Row, Portsmouth, Shipowner.

1914				£	1914.			£	1914.							
Jan. 7	To Share Cap.: Application &	s.			Jan. 4	By Cash, Appl.		7500	Jan. 7	8	3000	6501	9500			3000
	Allotment ..	150		22500	,, 9	,, do. Allot. ..		15000								
Feb. 28	,, Share Cap.:	s.			Feb. 28	,, do. 1st Call		3750								
	First Call ...	25		3750	Apl. 30	,, do. 2nd Call		3750								
Apl. 30	,, Share Cap.:	s.														
	Second Call .	25		3750												
				£30000				£30000								

CHARLES SPENCER, 9 Beever Road, Halifax, Accountant.

1914.			£	1914.		£	1914.						
Jan. 7	To Share Cap.:			Jan. 4	By Cash, Appl.	2500	Jan. 7	9	1000	9501	10500		1000
	Application &	s.		,, 9	,, do. Allot. .	5000							
	Allotment ..	150	7500	Feb. 28	,, do. 1st Call	1250							
Feb. 28	,, Share Cap.:	s.		Apr. 30	,, do. 2nd Call	1250							
	First Call ...	25	1250										
Apr. 30	,, Share Cap.:	s.											
	Second Call .	25	1250										
			£10000			£10000							

EDWIN WILSON, 23 George Street, Halifax, Banker.

1914.			£	1914.		£	1914.						
Jan. 7	To Share Cap.:			Jan. 4	By Cash, Appl.	25000	Jan. 7	10	5000	10501	15500		5000
	Application &	s.		,, 9	,, do. Allot. .	12500							
	Allotment ..	150	37500	Feb. 28	,, do. 1st Call	6250							
Feb. 28	,, Share Cap.:	s.		Apr. 30	,, do. 2nd Call	6250							
	First Call ...	25	6250										
Apr. 30	,, Share Cap.:	s.											
	Second Call .	25	6250										
			£50000			£50000							

ERNEST BAILEY, 7, Manor Drive, Bradford, Ironfounder.

1914.			£	1914.		£	1914.						
Jan. 7	To Share Cap.			Jan. 4	By Cash, Appl.	12500	Jan. 7	11	4500	15501	20000		4500
	Application &	s.		,, 9	,, do. Allot. .	21250							
	Allotment ..	150	33750	Feb. 28	,, do. 1st Call	5625							
Feb. 28	,, Share Cap.:	s.		Apr. 30	,, do. 2nd Call	5625							
	First Call ...	25	5625										
Apr. 30	,, Share Cap.:	s.											
	Second Call .	25	5625										
			£45000			£45000							

NICOTINE, LIMITED. SHARE LEDGER (Preference).

JOHN HEAPS, 8 Bath Street, Batley, Merchant.

CASH ACCOUNT. SHARE ACCOUNT.

Dr. Amount payable.					Cash paid.			Cr.	Shares acquired.					Shares Transferred.				Balance of Shares.
Date.	Particulars.	Amount called for.	Fo.	Amount.	Date.	Particulars.	Fo.	Amount	Date.	No. of Transfer or Allotment.	No. of Shares acquired.	Inclusive Numbers. From	To	Date	Transfer No.	No. of Shares Transferred.	Inclusive Numbers. From	To	
1914.				£	1914.			£	1914.										
Jan. 7	To Share Cap.:				Jan. 4	By Cash, Appl.		2500	Jan. 7	1	1000	1	1000						1000
	Application &	s.			,, 9	,, do. Allot.		5000											
	Allotment ..	150		7500	Feb. 28	,, do. 1st Call		1250											
Feb. 28	,, Share Cap.:	s.			Apr. 30	,, do. 2nd Call		1250											
	First Call ...	25		1250															
Apr. 30	,, Share Cap: .	s.																	
	Second Call .	25		1250															
				£10000				£10000											

GEORGE PARKER, Vernon Road, Leeds, Cashier.

1914.				£	1914.			£	1914.										
Jan. 7	To Share Cap.:				Jan. 4	By Cash, Appl.		1000	Jan. 7	2	400	1001	1400						400
	Application &	s.			,, 9	,, do. Allot.		2000											
	Allotment ..	150		3000	Feb. 28	,, do. 1st Call		500											
Feb. 28	,, Share Cap.:	s.			Apr. 30	,, do. 2nd Call		500											
	First Call ...	25		500															
Apr. 30	,, Share Cap.:	s.																	
	Second Call .	25		500															
				£4000				£4000											

DAVID EAVES, 1, Mount Street, Hull, Schoolmaster.

1914.			£	1914.		£	1914.					
Jan. 7	To Share Cap.: Application & Allotment ..	s. 150	7500	Jan. 4	By Cash, Appl.	2500	Jan. 7	3	1000	1401	2400	1000
				,, 9	,, do. Allot. .	5000						
Feb. 28	,, Share Cap.: First Call	s. 25	1250	Feb. 28	,, do. 1st Call	1250						
				Apr. 30	,, do. 2nd Call	1250						
Apr. 30	,, Share Cap.: Second Call .	s. 25	1250									
			£10000			£10000						

JOHN WHITEHEAD, 76 Portman Road, Bolton, Surveyor.

1914.			£	1914.		£	1914.					
Jan. 7	To Share Cap.: Application & Allotment ..	s. 150	15000	Jan. 4	By Cash, Appl.	5000	Jan. 7	4	2000	2401	4400	2000
				,, 9	,, do. Allot. .	10000						
Feb. 28	,, Share Cap.: First Call ...	s. 25	2500	Feb. 28	,, do. 1st Call	2500						
				Apr. 30	,, do. 2nd Call	2500						
Apl. 30	,, Share Cap.: Second Call .	s. 25	2500									
			£20000			£20000						

JOE SWIFT, Moor Lane, Sheffield, Engineer.

1914.			£	1914.		£	1914.					
Jan. 7	To Share Cap.: Application & Allotment ..	s. 150	3000	Jan. 4	By Cash, Appl.	1000	Jan. 7	5	400	4401	4800	
				,, 9	,, do. Allot. .	2000						
Feb. 28	,, Share Cap.: First Call ...	s. 25	500	Nov. 3	,, Forfeited Shares A/c.	1000						
Apr. 30	,, Share Cap.: Second Call .	s. 25	500									
			£4000			£4000						

GEORGE McADAM, Peel Place, Edinburgh, Solicitor.

1914.			£	1914.		£
Jan. 7	To Share Cap.: Application & Allotment ..	s. 150	9000	Jan. 4	By Cash, Appl.	3000
				,, 9	,, do. Allot.	6000
Feb. 28	,, Share Cap.: First Call ...	s. 25	1500	Feb. 28	,, do. 1st Call	1500
Apr. 30	,, Share Cap.: Second Call .	s. 25	1500	Dec. 31	,, *Balance c/f.*	1550
Dec. 31	,, Interest ...		50			
			£12050			£12050

| 1914. | | | |

CHARLES SPENCER, 9 Beever Road, Halifax, Accountant.

1914.			£	1914.		£	1914.						
Jan. 7	To Share Cap.:			Jan. 4	By Cash, Appl.	3750	Jan. 7	9	1500	18501	15000		1500
	Application &	s.		,, 9	,, do. Allot. .	7500							
	Allotment ..	150	11250	Feb. 28	,, do. 1st Call	1875							
Feb. 28	,, Share Cap.:	s.		Apr. 30	,, do. 2nd Call	1875							
	First Call ...	25	1875										
Apr. 30	,, Share Cap.:	s.											
	Second Call .	25	1875										
			£15000			£15000							

EDWIN WILSON, 23 George Street, Halifax, Banker.

1914.			£	1914.		£	1914.						
Jan. 7	To Share Cap.:			Jan. 4	By Cash, Appl.	12500	Jan. 7	10	2000	15001	17000		2000
	Application &	s.		,, 9	,, do. Allot. .	2500							
	Allotment ..	150	15000	Feb. 28	,, do. 1st Call	2500							
Feb. 28	,, Share Cap.:	s.		Apr. 30	,, do. 2nd Call	2500							
	First Call ...	25	2500										
Apr. 30	,, Share Cap.:	s.											
	Second Call .	25	2500										
			£20000			£20000							

ERNEST BAILEY, 5 Manor Drive, Bradford, Ironfounder.

1914.			£	1914.		£	1914.						
Jan. 7	To Share Cap.:			Jan. 4	By Cash, Appl.	15000	Jan. 7	11	3000	17001	20000		3000
	Application &	s.		,, 9	,, do. Allot. .	7500							
	Allotment ..	150	22500	Feb. 28	,, do. 1st Call	3750							
Feb. 28	,, Share Cap.:	s.		Apr. 30	,, do. 2nd Call	3750							
	First Call ...	25	3750										
Apr. 30	,, Share Cap.:	s.											
	Second Call .	25	3750										
			£30000			£30000							

NICOTINE, LIMITED. IMPERSONAL LEDGER.

Dr. Preference Share Capital A/c. Cr.

1914.		£	1914.		£
Nov. 30	To Forfeited Shares A/c.: 400 Shares numbered 4401 to 4800	4,000	Jan. 7	By Application and Allotment: 20,000 Shares £2 10s. 0d. on application. £5 on allotment.....	150,000
Dec. 31	,, *Balance* .....c/d.	196,000	Feb. 28	,, First Call £1 5s. 0d. per Share	25,000
			Apr. 30	,, Second Call £1 5s. 0d. per Share ...	25,000
		£200,000			£200,000
			1915.		
			Jan. 1	By Balance .....b/d.	196,000

Dr. Ordinary Share Capital A/c. Cr.

1914.		£	1914.		£
Nov. 30	To Forfeited Shares A/c.: 500 Shares numbered 4901 to 5400	5,000	Jan. 7	By Application and Allotment: 20,000 Shares £2 10s. 0d. on application, £5 on allotment.....	150,000
Dec. 31	,, *Balance* .....c/d.	195,000	Feb. 28	,, First Call £1 5s. 0d. per Share	25,000
			Apr. 30	,, Second Call £1 5s. 0d. per Share ...	25,000
		£200,000			£200,000
			1915.		
			Jan. 1	By Balance .....b/d.	195,000

Dr. Deferred Share Capital A/c. Cr.

1914.		£	1914.		£
Dec. 31	*To Balance* .....c/d.	100,000	Jan. 7	By W. Nicotine (Purchase A/c.)	100,000
		£100,000			£100,000
			1915.		
			Jan. 1	By Balance .....b/d.	100,000

Dr. 4% Debenture Stock A/c. Cr.

1914.		£	1914.		£
Dec. 31	*To Balance* .....c/d.	50,000	Jan. 7	By Beckett & Co.	50,000
		£50,000			£50,000
			1915.		
			Jan. 1	By Balance .....b/d.	50,000

Dr. **Walter Nicotine (Purchase A/c.)** **Cr.**

1914.		£	s.	d.	1914.		£	s.	d.
Jan. 1	To Sundry Creditors A/cs. transferred to Nicotine, Limited	233,000	–	–	Jan. 1	By Sundry Accounts, being Assets acquired by Nicotine, Limited	500,000	–	–
,, 7	,, Deferred Share Capital A/c., 10,000 £10 Shares allotted as fully paid this day	100,000	–	–	Apr. 30	,, Interest on balance of Purchase Money: £167,000 at £5% for 4 months	2,783	6	8
Apr. 30	,, Bank	169,783	6	8					
	£	502,783	6	8		£	502,783	6	8

Dr. **Forfeited Shares A/c.** **Cr.**

1914.		£	1914.		£
Nov. 30	To Joe Swift: Balance unpaid on 400 Preference and 500 Ordinary Shares	2250	Nov. 30	By Preference Share Capital A/c., being 400 Shares numbered 4401 to 4800	4000
Dec. 31	,, *Balance* c/d.	6750		,, Ordinary Share Capital A/c., being 500 Shares numbered 4901 to 5400	5000
		£9000			£9000
			1915. Jan. 1	By Balance b/d.	6750

REGISTER OF MORTGAGES.

Date of Charge.	Name and Address of Mortgagee.	Short Particulars of Property Charged.	Amount of Charge.	Remark.

NICOTINE, LIMITED, 31st December, 1914.

Trial Balance of Model Company Exercise.	Totals.		Balances.	
	Dr.	Cr.	Dr.	Cr.
Preference Share Cap. A/c.	4,000	200,000		196,000
Ordinary Share Cap. A/c.	5,000	200,000		195,000
Deferred Share Cap. A/c.		100,000		100,000
Debenture Stock A/c.		50,000		50,000
Debenture Premium A/c...		1,000		1,000
Bank	831,600/2/6	568,277/12/6	263,322/10/–	
W. Nicotine (Purchase A/c.)	502,783/6/8	502,783/6/8		
Freehold Tobacco Factory	2,000		2,000	
Leasehold Tobacco Factory	6,000		6,000	
Machinery, Fixtures & Plant	70,000		70,000	
Trading A/c. (Stock).....	210,000		210,000	
Goodwill A/c.	122,000		122,000	
Purchases A/c.	250,000		250,000	
Sales A/c.		400,000		400,000
Income Tax Collector		100		100
Sundry Debtors	490,000	383,600	106,400	
Sundry Creditors	356,750	483,000		126,250
Calls in Arrear	2,325		2,325	
Forfeited Shares A/c.	2,250	9,000		6,750
Interest A/c. (Vendor) ...	2,783/6/8		2,783/6/8	
Interest on Debentures A/c.	2,000		2,000	
Interest on Calls in Advance	14/5/10		14/5/10	
Interest on Calls in Arrear		75		75
Discount A/c.....	3,000	1,750	1,250	
Bad Debts A/c.	600		600	
Preliminary Expenses A/c.	5,000		5,000	
Registration Fee A/c.		/2/6		/2/6
Dividend A/c.	14,980	14,980		
Rents A/c.		100		100
Directors' Fees A/c.	1,000		1,000	
Wages A/c.	6,000		6,000	
Carriage A/c.	1,500		1,500	
Packing Materials A/c. ...	2,000		2,000	
Salaries A/c.	2,000		2,000	
Trade Expenses A/c.	450		450	
Office Expenses A/c.	500		500	
Repairs A/c.	1,200		1,200	
Insurance A/c.	350		350	
Rates and Taxes A/c.	400		400	
Gas, Fuel, &c., A/c.	500		500	
Law Charges A/c.	700		700	
P.&L.(Appropriation A/c.)	14,980		14,980	
£	2,914,666/1/8	2,914,666/1/8	1,075,275/2/6	1,075,275/2/6

NICOTINE, LIMITED. Application and Allotment Book.

PREFERENCE SHARES (*Posted to Preference Share Ledger*).

No. of Application.	Name.	Address.	Description.	No. of Shares applied for.	Amount of Deposit.	Cash Book folio.	No. of Shares allotted.	Distinctive Numbers of Shares allotted. From	To	Amount due on Allotment.	Cash Received.	Cash Book folio.	Cash Returned.	Cash Book folio.	Calls paid in advance.	Balance payable on Shares.	Share Ledger folio.
					£					£	£		£		£	£	
1	Heaps, John....	8 Bath Street, Batley ..	Merchant ...	1000	2500	1	1000	1	1000	5000	5000					2500	
2	Parker, George .	Vernon Road, Leeds ...	Cashier	400	1000	1	400	1001	1400	2000	2000					1000	
3	Eaves, David ..	1 Mount Street, Hull ...	Schoolmaster	1000	2500	1	1000	1401	2400	5000	5000					2500	
4	Whitehead, John	76 Portman Road, Bolton	Surveyor ...	2000	5000	1	2000	2401	4400	10000	10000					5000	
5	Swift, Joe	Moor Lane, Sheffield....	Engineer ...	400	1000	1	400	4401	4800	2000	2000					1000	
6	McAdam, George	Peel Place, Edinburgh ..	Solicitor	1200	3000	1	1200	4801	6000	6000	6000					3000	
7	Harris, Fred ...	Broadway, Bexley Heath	Book-keeper	5000	12500	1	5000	6001	11000	25000	25000					12500	
8	Bowler, Albert .	5 Queen's Row, Portsm'h	Shipowner ..	2500	6250	1	2500	11001	13500	12500	12500					6250	
9	Spencer, Charles	9 Beever Road, Halifax	Accountant .	1500	3750	1	1500	13501	15000	7500	7500					3750	
10	Wilson, Edwin ..	23 George Street, Halifax	Banker	5000	12500	1	2000	15001	17000	2500	2500					5000	
11	Bailey, Ernest ..	7 Manor Drive, Bradford	Iron Founder	6000	15000	1	3000	17001	20000	7500	7500					7500	

ORDINARY SHARES (*Posted to Ordinary Share Ledger*).

					£					£	£		£		£	£	
1	Heaps, John....	8 Bath Street, Batley ..	Merchant ...	500	1250	1	500	1	500	2500	2500					1250	
2	Parker, George .	Vernon Road, Leeds ...	Cashier	200	500	1	200	501	700	1000	1000					500	
3	Eaves, David ..	1 Mount Street, Hull ...	Schoolmaster	2000	5000	1	2000	701	2700	10000	10000					5000	
4	Whitehead, John	76 Portman Road, Bolton	Surveyor ...	2500	6250	1	2200	2701	4900	10250	10250					5500	
5	Swift, Joe	Moor Lane, Sheffield....	Engineer ...	500	1250	1	500	4901	5400	2500	2500					1250	
6	McAdam, George	Peel Place, Edinburgh ..	Solicitor	600	1500	1	600	5401	6000	3000	3000					1500	
7	Harris, Fred ...	Broadway, Bexley Heath	Book-keeper	4000	10000	1	500	6001	6500	..	..		5000		1250	..	
8	Bowler, Albert .	5 Queen's Row, Portsm'h	Shipowner ..	3000	7500	1	3000	6501	9500	15000	15000					7500	
9	Spencer, Charles	9 Beever Road, Halifax	Accountant .	1000	2500	1	1000	9501	10500	5000	5000					2500	
10	Wilson, Edwin .	23 George Street, Halifax	Banker	10000	25000	1	5000	10501	15500	12500	12500					12500	
11	Bailey, Ernest ..	7 Manor Drive, Bradford	Iron Founder	5000	12500	1	4500	15501	20000	21250	21250					11250	

(DEBENTURES.)

					£					£	£		£		£	£	
1	Beckett & Co. ..	Park Row, Leeds	Bankers		2500	1				48500	48500						

Dr. **CASH**

1914.		Pref.	Ordy.	Bank.
Jan. 4.	To J. Heaps(*Application*)	£2500 ..	£1250 ..	£3750 - -
	„ George Parker	1000 ..	500 ..	1500 - -
	„ David Eaves.....	2500 ..	5000 ..	7500 - -
	„ John Whitehead ..	5000 ..	6250 ..	11250 - -
	„ Joe Swift.....	1000 ..	1250 ..	2250 - -
	„ George McAdam ..	3000 ..	1500 ..	4500 - -
	„ Fred Harris	12500 ..	10000 ..	22500 - -
	„ Albert Bowler	6250 ..	7500 ..	13750 - -
	„ Charles Spencer ...	3750 ..	2500 ..	6250 - -
	„ Edwin Wilson	12500 ..	25000 ..	37500 - -
	„ Ernest Bailey	15000 ..	12500 ..	27500 - -
	„ Beckett & Co.			2500 - -
„ 9.	„ J.Heaps(*Allotment*)	5000 ..	2500 ..	7500 - -
	„ George Parker	2000 ..	1000 ..	3000 - -
	„ David Eaves.....	5000 ..	10000 ..	15000 - -
	„ John Whitehead ..	10000 ..	10250 ..	20250 - -
	„ Joe Swift.....	2000 ..	2500 ..	4500 - -
	„ George McAdam ..	6000 ..	3000 ..	9000 - -
	„ Fred Harris	25000 ..	..	25000 - -
	„ Albert Bowler	12500 ..	15000 ..	27500 - -
	„ Charles Spencer ..	7500 ..	5000 ..	12500 - -
	„ Edwin Wilson	2500 ..	12500 ..	15000 - -
	„ Ernest Bailey	7500 ..	21250 ..	28750 - -
	„ Beckett & Co.			48500 - -
Feb.28.	„ J. Heaps (1*st Call*).	1250 ..	625 ..	1875 - -
	„ George Parker	500 ..	250 ..	750 - -
	„ David Eaves.....	1250 ..	2500 ..	3750 - -
	„ John Whitehead ..	2500 ..	2750 ..	5250 - -
	„ George McAdam ..	1500 ..	750 ..	2250 - -
	„ Fred Harris	6250 ..	..	6250 - -
	„ Albert Bowler	3125 ..	3750 ..	6875 - -
	„ Charles Spencer ..	1875 ..	1250 ..	3125 - -
	„ Edwin Wilson	2500 ..	6250 ..	8750 - -
	„ Ernest Bailey	3750 ..	5625 ..	9375 - -
Apl. 30.	„ J. Heaps (2*nd Call*)	1250 ..	625 ..	1875 - -
	„ George Parker	500 ..	250 ..	750 - -
	„ David Eaves.....	1250 ..	2500 ..	3750 - -
	„ John Whitehead ..	2500 ..	2750 ..	5250 - -
	„ Fred Harris	6250 ..	..	6250 - -
	„ Albert Bowler	3125 ..	3750 ..	6875 - -
	„ Charles Spencer ..	1875 ..	1250 ..	3125 - -
	„ Edwin Wilson	2500 ..	6250 ..	8750 - -
	„ Ernest Bailey	3750 ..	5625 ..	9375 - -
May 2.	„ Registration Fee ..	*Post above to*	..	2 6
Dec.31.	„ Sundry Debtors ..	*Share Ledger.*		380000 - -
„ 31.	„ Sundry Rents			100 - -
				£831600 2 6

BOOK. **Cr.**

1914.			Bank.
Jan. 9.	By	F. Harris (Application money retd.)	£5000 - -
Apl. 30.	,,	Interest A/c. (Fred Harris for interest at the rate of 5% per ann. on £625, being cash paid in advance from Jan. 6 to Feb. 28, 53 days=£4 10 9 ; and from Jan. 6 to April 30, 114 days= £9 15 1 ; the former sum being the interest due up to the date of first call, and the latter sum being the interest due up to the date of the second call)	14 5 10
	,,	Walter Nicotine (Purchase A/c.)	169783 6 8
	,,	Preliminary Expenses A/c.	5000 - -
June 30.	,,	Int. A/c. ($\frac{1}{2}$ yrs. on Debenture) less tax	950 - -
	,,	Dividend A/c. Int. Div. on Pref. Shs.	4655 - -
	,,	Ditto Ordy. ,,	6825 - -
	,,	Ditto Defd. ,,	3500 - -
Dec. 30.	,,	Int. A/c. ($\frac{1}{2}$ yrs. on Debentures)less tax	950 - -
	,,	Sundry Creditors	355000 - -
	,,	Directors' Fees	1000 - -
	,,	Wages	6000 - -
	,,	Carriage	1500 - -
	,,	Packing Materials	2000 - -
	,,	Salaries	2000 - -
	,,	Sundry Trade Expenses	450 - -
	,,	Office Expenses	500 - -
	,,	Repairs	1200 - -
	,,	Insurance	350 - -
	,,	Rates and Taxes	400 - -
	,,	Gas, Fuel, &c.	500 - -
	,,	Law Charges	700 - -
	,,	*Balance* ..... *c/f.*	263322 10 -

£831600 2 6

NICOTINE, LIMITED.

Dr. Trading A/c. for the year ended 31st December, 1914 **Cr.**

	£	£		£
To Stock, 1st January, 1914	210000		By Sales	400000
„ Purchases	250000		„ STOCK, 31st December	150000
		460000		
„ Carriage	1500			
„ Packing Materials	2000			
„ Wages	6000			
		9500		
„ **Gross Profit** *carried to Profit and Loss A/c.*		80500		
		£550000		£550000

Profit & Loss A/c.

Dr. for the year ended 31st December, 1914. **Cr.**

	£		£
To Salaries		2000	By Gross Profit from Trading A/c.	80500
„ Trade Expenses		450	„ Discount	1750
„ Office Expenses		500		
„ Repairs		1200		
„ Insurance		350		
„ Rates and Taxes		400		
„ Gas, Fuel, &c.		500		
„ Law Charges		700		
„ Discounts	£3000			
„ Bad Debts	600			
„ Reserve for Doubtful Debts and Discount	1596			
		5196		
„ Depreciation		15900		
„ *BALANCE carried down*		55054		
		£82250		£82250

	£ s. d.	£ s. d.		£ s. d.
To Int. on Debentures	2000 – –		By Balance brought down	55054 – –
„ Int. paid Vendor	2783 6 8		„ Interest on Calls in arrear	75 – –
„ Int. on Calls paid in advance	14 5 10		„ Rents received	100 – –
		4797 12 6	„ Registration Fee	– 2 6
„ Inc. Tax on Profits	3406 5 –			
Less Tax on Deb. Int.	100 – –			
		3306 5 –		
„ Directors' Fees		1000 – –		
„ **Net Profit** *carried to Appropriation A/c.*		46125 5 –		
		£55229 2 6		£55229 2 6

Dr. Appropriation of Profit A/c. Cr.

	£	s.		£	s.
To Interim Dividends paid :—			By Net Profit from P. & L. A/c.	46125	5
2½% on £196000 Pref. Shares. £4900					
Less Tax 245					
	4655	–			
3½% on £195000 Ordy. Shares	6825	–			
3½% on £100000 Defd. Shares	3500	–			
„ Further dividend proposed :					
2½% on £196000 Pref. Shares. £4900					
Less Tax 245					
	4655	–			
6½% on £195000 Ordy. Shares	12675	–			
6½% on £100000 Defd. Shares	6500	–			
Prelim. Exs. extinguished ...	4000	–			
„ Reserve Fund	3000	–			
„ *Balance carried forward*	315	5			
	£46125	5		£46125	5

BALANCE SHEET of NICOTINE, LIMITED.

Made up to the 31st December, 1914.

Capital and Liabilities.

	£	s.
Nominal or Registered Capital, viz. :—		
20000 5% Pref. Shares of £10 each	200000	–
20000 7% Ordy. Shares of £10 each	200000	–
10000 Deferred Shares of £10 each	100000	–
50000	£500000	–
Subscribed and paid-up Capital, viz. :		
20000 5% Pref. Shares ..£200000 –		
Deduct 400 Shares forfeited 4000 –		
£196000 –		
Deduct Calls in arrear ... 1500 –		
	194500	–
20000 7% Ordy. Shares ...200000 –		
Deduct 500 Shares forfeited 5000 –		
£195000 –		
Deduct Calls in arrear ... 750 –		
	194250	–
10000 Defd. Shares, fully paid	100000	–
Mortgage Debenture Stock, 4%	50000	–
Reserves:—		
Forfeited Shares A/c. ..	6750	–
Liabilities :—		
Sundry Creditors	126250	–
Income Tax	3406	5
Profit & Loss A/c., Balance 46125 5		
Less Interim Dividends paid on :—		
Preference Shares £4655		
Ordinary Shares . 6825		
Deferred Shares . 3500		
14980 –		
	31145	5
	£706301	10

Property and Assets.

		£	s.
Immovable Property.			
Freehold Tobacco Factory	2000		
Less Depreciation 2½%	50		
		1950	–
Leasehold Tobacco Factory	6000		
Less Depreciation 2½%	150		
		5850	–
Movable Property.			
Machinery, Fixtures, &c.	70000		
Less Depreciation 5%	3500		
		66500	–
Stock-in-Trade		150000	–
Debts.			
Sundry Debtors 106400			
Less Reserve for doubtful Debts and Discount 1½%.....	1596		
		104804	–
Interest on Calls in Arrear		75	–
Cash at Bank		263322	10
Goodwill A/c. 122000			
Less Depreciation 10%	12200		
		109800	–
Preliminary Expenses A/c.	5000		
Less Debenture Premium A/c. transferred	1000		
		4000	–
		£706301	10

399. INCREASE of **CAPITAL.** A company limited by shares may, if authorised by its Articles, increase its nominal capital by the issue of new shares of such amount as it thinks expedient. Where a Company has power in its Articles to increase its capital without a special resolution it is unnecessary to do more than pass an ordinary resolution ; but in any case **notice** must be given to the Registrar of Companies within **15 days** after the date of passing the ordinary resolution or confirming the special resolution. If the original Articles do not authorise such an increase they should first be altered by a special resolution, and then the increase can be made in accordance with the terms of the special resolution, but the operation is not invalid if the two acts are done by a single special resolution. At one time when fresh capital was required for a company whose affairs were not in a flourishing condition, it was common to **issue new shares** at a **discount ;** that is to say, a share credited as fully paid was issued in consideration of the payment of a less sum than the nominal amount of the share. It has, however, been decided by the House of Lords that this cannot be done, and a shareholder taking shares upon those terms is, in the event of a winding up, liable to pay the balance unpaid, notwithstanding any contract made with the company. Shares may, however, be offered at a **premium,** which should be carried to the credit of the Reserve Fund, although there is no absolute rule that this should be done. It is not uncommon, when an additional issue of shares is made, to secure the success of the issue by getting it **underwritten.** The **records** to be made in the books on the increase of capital are similar to those made on the issue of capital in a new company, as shown in the Model Exercise.

400. BONUS SHARES. It is sometimes the good fortune of a Company to experience a succession of prosperous years, the profits enabling the directors not only to pay a continuously increasing dividend, but also to build up a large General Reserve. While it may be advisable to retain a portion of the amount represented

by the Reserve as Working Capital, there is no reason why the shareholders should not apply a part of the **Reserve** to the **issue** of free or **Bonus Shares,** and thus reap the special advantage offered by the capitalisation of the Reserve. The market price of the shares of such a Company will generally be at a premium, and it will be for the shareholders to decide whether the Bonus Shares to be **issued** shall be **at par** or at a **premium.** If **at par,** the **Journal entries** would be as shown below, where the Capital was £500,000 in £1 Shares, and it was decided to distribute a bonus of 25% out of the Reserve by the issue of one fully paid Share for each four Shares held.

General Reserve A/c. .....Dr.	£125000	
To Bonus A/c.		£125000
Being Bonus of 25% payable out of the General Reserve A/c. in fully paid Shares as per Resolution of Shareholders dated 18th December, 1914.		
Bonus A/c. .....Dr.	£125000	
To Ordinary Share Capital A/c.		£125000
Being issue of 125000 Shares of £1 each fully paid in payment of Bonus at the rate of one Share for every four held.		

401. In view of the fact, however, that such an **increase** of **Capital** would necessitate the payment of a **dividend** on £625000, instead of on £500000, it would not generally be considered sound finance to issue such free Shares at par, for unless the net profits continued to increase it might prove disadvantageous to the Company, as well as subsequent shareholders. It would, therefore, be more prudent to **issue** the **Shares** at a **premium,** thereby retaining in the business, as working capital, the amount of the bonus represented by the premium, upon which no dividends would, of course, be required to be paid. For **example,** where a Company with a Capital of £500000, in fully paid £1 Shares, the market price of which was £3, decide to distribute a Bonus out of the Reserve at the rate of 25%, payable in fully paid-up Shares, at a premium of £1, the record in the **Journal** would be as follows :—

General Reserve A/c. .....Dr.		£125000	
To Bonus A/c.			£125000
Being Bonus at the rate of 25% on 500000 Shares of £1 each, as per Resolution dated 18th December, 1914.			
Bonus A/c. .....Dr.		£125000	
To Ordinary Share Capital A/c.			£62500
,, Share Premium A/c.			£62500
Being payment of Bonus on the issue of 62500 Shares of £1 each, fully paid, at a premium of £1 per Share, as per Resolution dated 18th December, 1914.			

402. When the Share **Capital** of a successful company is **not fully paid** it would be a wise policy for the directors to make a **Call** and to recommend the shareholders to **apply** the **Bonus** in **discharge** of the **Call.** Presuming that a company, with a Nominal Capital of £50000, in £1 Shares, 17/6 paid, declare a bonus of 12½% on the Nominal Capital, with the object of making the Shares fully paid, the record in the **Journal** would be as follows :—

Final Call A/c. .....Dr.		£6250	
To Ordinary Share Capital A/c.			£6250
Being a Call of 2/6 per share on 50000 shares, as per Resolution of the Directors, dated 18th December, 1914.			
General Reserve A/c. .....Dr.		£6250	
To Bonus A/c.			£6250
Being Bonus of 2/6 per share on 50000 shares payable out of the Reserve A/c. as per Resolution, dated 18th December, 1914.			
Bonus A/c. .....Dr.		£6250	
To Final Call A/c.			£6250
Being application of Bonus of 2/6 per share on 50000 shares to payment of Call, as per Resolution, dated 18th December, 1914.			

403. REDUCTION of CAPITAL. A company limited by shares may, by special resolution, reduce its capital specified in the Memorandum, if authorised to do so by its regulations as originally framed, or as altered by special resolution : but the resolution authorising the

reduction does not come into effect until the reduction is **confirmed** by the **Court** and **registered.** After the date of the passing of the resolution the company must add the words *and Reduced* to its name until such date as the Court may fix. The addition of these words to the name of the Company acts as a warning to the public of its financial position. But where the reduction does not involve the diminution of any liability in respect of unpaid capital, or the payment to the shareholders of any paid up capital, the Court may dispense with the words *and Reduced*. The Capital may be reduced in various ways :—(**1**) By reducing the Shareholders' liability by writing off uncalled capital : (**2**) By cancelling lost capital ; (**3**) By paying back capital in excess of the wants of the company ; (**4**) By cancelling shares which have never been issued : (**5**) By returning accumulated profits in reduction of paid capital. In the two latter cases the sanction of the Court is not required. The principal occasion for the reduction of capital arises in connection with the **writing off** of ascertained **losses, i.e.**, a debit of the Profit & Loss A/c. For **example,** suppose there is a debit of £50000 in the Profit & Loss A/c., brought about by losses over a series of years, it may be considered necessary to reduce the capital, in which case the Share Capital A/c. would be debited and the Profit & Loss A/c. credited thus :—

Share Capital A/c. Dr.
To Profit & Loss A/c.

(Being in reduction of the Capital of the Company as per Resolution of the shareholders passed at a general meeting held on the 26th June, 1914, and confirmed by the Court under Order dated 26th July, 1914, sanctioning a reduction of £50000 on the share capital.)

A similar entry would be required where it was decided to cancel or reduce any particular property appearing among the assets, such as Patents or Goodwill, when the Share Capital would be *debited* and the particular Property a/c. *credited*. The **alteration** in the **Share Ledger** may be carried out by marking each page with coloured ink or using a rubber stamp briefly stating the resolution.

404. RECONSTRUCTION is a term usually applied to a scheme for the purpose of re-organising a Joint Stock Company, by the **winding up** of the *old* company and the **creation** of a *new* company, specially incorporated for the purpose. The **objects** of a reconstruction are usually, (**1**) to raise fresh capital by issuing partly paid shares in the new company, in exchange for fully paid shares in the old company, and calling up the balance on the new shares as and when required : (**2**) for amalgamating two or more companies ; (**3**) for taking new powers in the Memorandum or changing the domicile of the company ; (**4**) for re-arranging the capital of the old company, and the rights of the shareholders between themselves ; (**5**) for effecting compromises with creditors by inducing them to take shares or debentures in settlement of their claims ; (**6**) for giving to members two or more shares for every share already held by them in the case of prosperous companies.

405. If any **shareholder** who has not voted for the special resolution at either of the meetings expresses his **dissent** from the resolution *in writing*, not later than *seven days* after the date of holding the confirmatory meeting, he may require the liquidator either not to carry out the scheme, or to **purchase his interest** at a price which, if not settled by agreement, must be determined by arbitration. The greatest difficulty, therefore, in a reconstruction is often that of finding money to pay out dissentient shareholders, where the shares of the new company are not marketable. There is, however, no way of avoiding the obligation to pay out such dissentient members, as they **cannot** be **compelled** to **take shares** in the **new company.** Sometimes, with a view to raise more money, an arrangement is made for holders of fully paid shares in the old company to accept shares which are not fully paid in the new, with the result of generally increasing the number of dissentient shareholders. A shareholder who has not dissented cannot, however, be compelled to **take shares having** a **liability,** and if he refuses the new shares he loses all interest in the company, and is not liable for

any calls on the new shares. In a case where there is a liability on the new shares, a **time** should be **fixed** within which shareholders must **elect** whether they will take the new shares, and any not taken up will then be at the disposal of the old company or its liquidator ; or the scheme may provide that the shares not taken up shall be at the disposal of the new company, or that the consideration shall be reduced by the amount of the shares unapplied for after the expiration of the period named : but the new company and the liquidator have no power to issue the partly paid shares to members of the old company who have failed to apply in time. Reasonable time must be given, and it must extend to a date beyond the registration of the new company. The shares when not fully paid will be allotted direct to the shareholders, and not to the liquidator. The liquidator usually sends a **notice** to the members of the old company, enclosing a **form** of **application** to be sent to the new company. This application, if sent in, is only an offer to take the shares, and may be withdrawn before it is accepted by the new company. It is not an acceptance of the offer by the new company so as to make the applicant a member forthwith. Where the new company considers that it is an advantage to have as many as possible of the partly paid shares issued, the liquidator shall be empowered to sell shares not applied for, and, as far as possible, should sell them. The proceeds of such a sale will belong to the members of the old company who have neither accepted shares in the new company nor dissented, for the other members have already received their proportion of the purchase consideration. The liquidator will nominate the purchasers of the shares to receive an allotment of the number they have bought credited as partly paid.

406. In **closing** the **books** of the **old** or **vendor company** the **entries** have much in common with the corresponding entries in the case of a partnership that is completely wound up ; the principal variation being in the return to the shareholders of fully or partly paid-up shares in the new company. So far as the new or

purchasing company is concerned the procedure in no way differs from that of any ordinary company acquiring a going concern.

Example 1. The Coventry Motor Co., Ltd., go into voluntary liquidation on 31st December, 1914, the Assets being : Property, £30000 ; Machinery & Plant, £2400 ; Liabilities : Sundry Creditors, £5000 ; and Fully Paid-up Capital, £40000. The Assets are sold on 1st March, 1911, to a company newly incorporated for the purpose for £20000, payable in shares of the new company of £1 each, credited with 16/8 per share paid and £6000 in cash, which amount discharges the Sundry Creditors and Liquidation Expenses. Close the books of the old company and show the opening entries of the new company, as follows :—

Balance Sheet of **The Coventry Motor Co., Ltd.,**
on 31st December, 1914.

Liabilities.		Assets.	
Share Capital ...	£40000	Property	£30000
Sundry Creditors	5000	Machinery & Plant	2400
		P.&L.A/c., DEFICIENCY	12600
	£45000		£45000

Journal, Closing Entries.

Realisation A/c.	Dr.	£32400	
To Property A/c.			£30000
„ Machinery & Plant A/c.			2400
New Company	Dr.	26000	
To Realisation A/c.			26000
Realisation A/c.	Dr.	1000	
To Liquidation Expenses A/c.			1000
Profit & Loss A/c.	Dr.	7400	
To Realisation A/c.			7400
Cash A/c.	Dr.	6000	
Shares in New Company (24000 of £1 each, 16/8 per Share paid)	Dr.	20000	
To New Company			26000
Sundry Creditors	Dr.	5000	
Liquidation Expenses A/c.	„	1000	
To Cash			6000
Capital A/c.	Dr.	20000	
To Profit & Loss A/c.			20000
Capital A/c.	Dr.	20000	
To Shares in New Company			20000
Being a distribution at the rate of 3 Shares in New Company (16/8 per share paid up) for each 5 Shares held in the Coventry Motor Co., Ltd.			

Journal, Opening Entries of the New Company.

Property A/c.	Dr.	£22600	
Machinery & Plant A/c.	„	2400	
Preliminary Expenses A/c.	„	1000	
To Liquidator of Coventry Motor Co., Ltd.			£26000
Liquidator of Coventry Motor Co., Ltd.	Dr.	26000	
To Cash A/c.			6000
„ Share Cap. A/c. (24000 Shares of £1 each, issued with 16/8 per Share paid up, as per contract dated 1st March, 1915, adopted 15th March, 1915, filed 17th March, 1915)			20000

Example 2. The Imperial Aeroplane Co., Ltd., has a Capital of 10000 £1 Shares fully paid, the amount due to Creditors being £5300, and the Dr. Balances being as follows :—Cash, £30 ; Formation Expenses, £360 ; Sundry Debtors, £900 ; Stock, £2000 ; Patents, £9600 ; P. & L. A/c., £2410. The Company goes into liquidation, and a newly incorporated company—The New Imperial Aeroplane Co., Ltd.—with a Capital of £20000, takes over the Liabilities and Assets (at book value, except Patent Rights) of the old Company. The Creditors are discharged by the new Company, as follows :—(1) Preferential, paid in full, £100 ; (2) Unsecured, paid by cash composition of 10/- in £, £2680 ; (3) Unsecured, paid by issue 7½% Debentures fully paid and a bonus of 10%, £2520 ; (4) 10000 Shares of £1 each, 10/- paid up, to be issued to the shareholders in the old Company, payable 5/- on Application and 5/- on Allotment. (5) Liquidation Expenses—£50—to be paid by the new Company as part of the purchase money.

Close the books of the old Company. Show the opening entries in the books of the new Company and prepare a Balance Sheet ; taking for granted that all the shares and debentures have been allotted and all cash in respect thereof duly received.

Journal of the Imperial Aeroplane Co., Ltd.

Realisation A/c.	Dr.	£15300	
To Sundry Debit Balances			£15300
(Being debit balances transferred.)			
The New Imperial Aeroplane Co., Ltd.,	Dr.	252	
To Sundry Creditors			252
(Being Bonus of 10% on £2520, payable in 7½% Debentures, fully paid, as per agreement.)			
The New Imperial Aeroplane Co., Ltd.	Dr.	9010	
To Realisation A/c.			9010

Being purchase consideration payable under scheme as follows :—			
10000 Shares at £1 each 10/- paid up, to be issued to Shareholders	£5000		
£2520 7½% Debentures fully paid, to be issued to Creditors in part payment	£2520		
Cash to Creditors in part payment of Unsecured Creditors	£1440		
Cash for Liquidation Expenses	50		
	£9010		
Realisation A/c. .....Dr.		£50	
To Cash A/c.			£50
(Being payment of Liquidation Expenses)			
Shares A/c.—10000 Shares of £1 each, 10/- paid up .....Dr.		5000	
Debentures A/c.—£2772 7½% Debentures .....Dr.		2772	
Cash A/c. .....Dr.		1490	
To the New Imperial Aeroplane Co., Ltd.			9262
(Being Assets handed over by the New Imperial Aeroplane Co., Ltd., to Liquidator in settlement of Purchase consideration.)			
Sundry Creditors .....Dr.		5552	
To Debenture A/c.			2772
,, Cash A/c.			1440
,, Realisation A/c.			1340
(Being discharge of amounts due to Sundry Creditors as per agreement and transfer of balance to Realisation A/c.)			
Sundry Shareholders' A/c. .....Dr.		5000	
To Realisation A/c.			5000
(Being loss on Realisation.)			
Share Capital A/c. .....Dr.		10000	
To Sundry Shareholders' A/c.			10000
(Being Share Capital transferred.)			
Sundry Shareholders' A/c. .....Dr.		5000	
To Shares A/c.			5000
(Being issue of 10000 Shares of £1 each 10/- paid up, in the New Imperial Aeroplane Co., Ltd., in exchange for Shares in The Imperial Aeroplane Co., Ltd.)			

Ledger of The Imperial Aeroplane Co., Ltd.

Dr.	Realisation A/c.		Cr.
	£		£
To Sundries	15300	By New Imperial Aeroplane Co., Ltd. .	9010
,, Cash (Expenses) ..	50	,, Sundry Creditors .	1340
		,, Shareholders' A/c. (Loss)	5000
	£15350		£15350

Dr.	The New Imperial Aeroplane Co., Ltd.		Cr.
	£		£
To Sundry Creditors (10% Bonus) ..	252	By Sundries	9262
,, Realisation A/c....	9010		
	£9262		£9262

Dr.	Sundry Creditors.		Cr.
	£		£
To Debentures	2772	By Balance	5300
,, Cash	1440	,, New Imperial Aeroplane Co., Ltd. .	252
,, Realisation A/c....	1340		
	£5552		£5552

Dr.	Sundry Shareholders.		Cr.
	£		£
To Realisation A/c. (Loss)	5000	By Share Capital A/c.	10000
,, Share A/c.	5000		
	£10000		£10000

Dr.	Cash A/c.		Cr.
	£		£
To New Imperial Aeroplane Co., Ltd. .	1490	By Sundry Creditors .	1440
		,, Liquidation Expenses	50
	£1490		£1490

Journal of The New Imperial Aeroplane Co., Ltd.

Patents A/c.	Dr.	£6332	
Sundry Debtors	,,	900	
Stock A/c.	,,	2000	
Cash A/c.	,,	30	
To Vendor Company			£9262
(Being assets taken over in accordance with scheme of Re-construction.)			
Vendor Company	Dr.	9262	
To Share Capital A/c. 10000 shares of £1 each, 10/- paid up			5000
,, Debentures 7½%			2772
,, Cash A/c.			1490
(Being Shares and Debentures issued and Cash paid in settlement of purchase consideration.)			
Application & Allotment A/c.	Dr.	5000	
To Share Capital A/c.			5000
(Being 5/- per share payable on application and 5/- on allotment of 10000 Shares issued.)			

The New Imperial Aeroplane Co., Ltd.

Dr. **Cash A/c.** **Cr.**

	£		£
To Vendor Company	30	By Vendor Company	1490
,, Application and Allotment	5000	,, *Balance c/f*	3540
	£5030		£5030

BALANCE SHEET.

Capital & Liabilities.		Assets.	£
NOMINAL CAPITAL—		Patents	6332
20000 Shares of £1 each	£20000	Sundry Debtors	900
ISSUED & PAID-UP CAPITAL—		Stock	2000
10000 Shares of £1 each fully paid	£10000	Cash	3540
7½% Debentures	2772		
	£12772		£12772

407. An **ABSORPTION** in the financial world is the buying up of the business of one limited company by another, the **object** generally being to effect economy by way of the reduction of establishment charges and management expenses. The most important practical **difference** between a *reconstruction* and an *absorption* is that in the former the shareholders generally suffer a loss, while in the latter there is usually a profit ; arising from, (1) the price paid for goodwill, when that item is in excess of the amount at which it stands in the books of the vendor company ; (2) the fact that reserves provided by the vendor company need no longer be regarded as liabilities ; (3) the fact that the real value of the shares received in payment of the purchase price is in excess of their nominal value.

408. The **Journal entries** required to be made in connection with the transfer are almost identical with those necessitated when **closing** the books of a partnership, in the case of dissolution, and may be summarised as follows :—(**a**) credit all accounts representing assets sold and debit Realisation A/c. ; (**b**) debit accounts relating to liabilities, and credit Realisation A/c. ; (**c**) debit absorbing or purchasing company's A/c., and credit Realisation A/c. with the total amount of the purchase price ; (**d**) credit absorbing or purchasing company's account, and debit the respective accounts of assets for the items forming the purchase price, such as cash, shares, &c. ; (**e**) should any expenses be paid by the vendor company, credit cash and debit Realisation A/c. ; (**f**) the difference of the Realisation A/c. represents profit or loss, and should be carried to the Sundry Shareholders' A/c. ; (**g**) the credit balances of the P. & L. A/c., Reserve A/c., &c., should be carried to the Sundry Shareholders' A/c., also the balance of the Share Capital A/c. ; (**h**) debit Sundry Shareholders' A/c. with the assets comprising the purchase price, when the distribution takes place, and credit the respective accounts of cash, shares in absorbing or purchasing company, &c.

409. The **Journal entries** necessary when **opening** the books of the absorbing or purchasing company are :—(**a**) debit the various assets acquired and credit the vendor company, also any liabilities taken over ; (**b**) debit the vendor company and credit Share Capital A/c. Cash, &c., representing the payment of the purchase price.

Example. The following are the Balance Sheets, on 31st December, 1914, of the Alpha and Omega Companies, Ltd., respectively :—

Alpha Co., Ltd.

Capital & Liabilities.		Assets.	
Capital, 6000 Shares, £5 each, fully paid	£30000	Machinery & Plant, cost	£22240
Sundry Creditors	10270	Sundry Debtors	6249
		Stock	9423
		Cash	129
		P. & L. A/c., Balance	2229
	£40270		£40270

Omega Co., Ltd.

Capital & Liabilities.		Assets.	
Capital, 100000 Shares, £1 each, fully paid	£100000	Freehold Premises	£22500
Sundry Creditors	18129	Machinery & Plant	32659
Reserve	7000	Sundry Debtors	24682
P. & L. A/c. Balance	16440	Stock	38640
		Cash in Bank and in hand	23088
	£141569		£141569

It is agreed that the businesses shall be combined by the Omega Co., Ltd., purchasing the Alpha Co., Ltd., as on 31st December, 1914, on the following basis : —(1) a dividend of 15% to the Shareholders of the Omega Co., Ltd., to be declared prior to the absorption ; (2) The Omega Co., Ltd. to take over the assets of the Alpha Co., Ltd., the consideration being :—(*a*) the payment of the liabilities of the Alpha Co., Ltd., (*b*) the payment of the costs of absorption, (*c*) the issue to the Shareholders of the Alpha Co., Ltd., of seven fully-paid shares of £1 each in the Omega Co., Ltd., for every two fully-paid shares in the Alpha Co., Ltd. The costs of the absorption amounted to £1206. The floating

assets of the Alpha Co., Ltd. were worth the values stated on the B/S. Transfer the surplus of the Liquidation a/c. to provide for depreciation of Machinery and Plant. Draft the Journal entries recording the purchase in the books of the Omega Co., Ltd., and set out the B/S. of the Omega Co., Ltd., after the absorption as follows :—

1914.	**Journal** of the **Omega Co., Ltd.**	Dr. £	Cr. £
Dec. 31.	Profit & Loss A/c. .....Dr.	15000	
	To Dividend A/c.		15000
	(Being dividend at 15% on 100000 Shares of £1 each)		
	Machinery & Plant .....Dr.	22240	
	Sundry Debtors ..... „	6249	
	Stock ..... „	9423	
	Cash ..... „	129	
	To Liquidator of Alpha Co., Ltd.		38041
	(For Sundry Assets taken over as per agreement).		
	Liquidator of Alpha Co., Ltd. .....Dr.	11476	
	To Sundry Creditors		10270
	„ Cost of Absorption.....		1206
	(For Sundry Liabilities taken over.)		
	Liquidator of Alpha Co., Ltd. .....Dr.	21000	
	To Share Capital A/c.		21000
	(Being issue of 7 fully paid £1 Shares in Omega Co., Ltd., to every holder of 2 fully paid £5 Shares in Alpha Co., Ltd.)		
	Liquidator of Alpha Co., Ltd. .....Dr.	5565	
	To Machinery & Plant		5565
	(For surplus transferred to provide for Depreciation.)		

Balance Sheet of **Omega Co., Ltd.,**
on 31st December, 1914.

Capital and Liabilities.			**Assets.**	
ISSUED & PAID-UP CAPITAL :—			Freehold Premises.....	£22500
121000 Shares of £1 each £121000			Machinery & Plant	49334
SUNDRY CREDITORS :—			Stock	48063
On Open Accounts £28399			Sundry Debtors	30931
For Absorption Expenses 1206			Cash at Bank and in hand	23217
„ Dividend on 100000 Shares declared before absorption 15000		44605		
Reserve		7000		
Profit & Loss A/c.		1440		
		£174045		£174045

410. The term **AMALGAMATION** is used in relation to Limited Companies, to express the **combination** into **one undertaking** of two or more independent concerns. An Amalgamation differs from an Absorption in that instead of one existing company absorbing another, a *newly incorporated company* takes over the business of two or more companies. It is usual for the new company to take over the liabilities of the uniting companies, and for fully paid shares in the new company to be issued to the shareholders in the uniting companies in proportion to their holdings and the relative value of their shares. Great care must be exercised in the **valuation** of the **Assets** of both companies, as, after deducting the total amount owing to Sundry Creditors from the total of the Assets in each case, the *difference* forms the basis for calculating the proportional number of shares to be allotted to the shareholders of the old companies by the new company, as shown below.

	Bruce & Co., Ltd.	Sykes & Co., Ltd.
Share Capital in £1 Shares ..	£50000	£160000
Total Assets	£62000	£186000
Less Sundry Creditors ..	2000	6000
	£60000	£180000

The 240000 Shares of £1 each in the new company should be allotted to the shareholders of (1) Bruce & Co., Ltd., 6 new shares for every 5 old, £60000 ; (2) Sykes & Co., Ltd., 9 new shares for every 8 old, £180000. Below are the Balance Sheets of the two companies prior to amalgamation, followed by the combined B/S. of the amalgamated concern.

Balance Sheet of Bruce & Co., Ltd.

Capital & Liabilities.		Assets.	
Share Capital :—50000 Shares of £1 each, fully paid	£50000	Leasehold Premises	£20000
Sundry Creditors	2000	Machinery & Plant	9000
Reserve Fund A/c.	8000	Patents.....	6000
Profit & Loss A/c., Balance	2000	Stock	14000
		Sundry Debtors ..	12000
		Cash	1000
	£62000		£62000

Balance Sheet of Sykes & Co., Ltd.

Capital & Liabilities.		Assets.	
Share Capital:—160000 Shares of £1 each, fully paid	£160000	Leasehold Premises	£60000
Sundry Creditors	6000	Machinery & Plant	24000
Reserve Fund A/c.	15000	Patents	20000
Profit & Loss A/c., Balance	5000	Stock	30000
		Sundry Debtors	45000
		Cash	7000
	£186000		£186000

Balance Sheet of Bruce, Sykes & Co., Ltd.

Capital & Liabilities.		Assets.	
Share Capital:—240000 Shares of £1 each, fully paid	£240000	Leasehold Premises	£80000
Sundry Creditors	8000	Machinery & Plant	33000
		Patents	26000
		Stock	44000
		Sundry Debtors	57000
		Cash	8000
	£248000		£248000

Company Exercise 1.

A Company was floated on 1st Jan. to take over the business of Black & Tan, the cap. to consist of 20000 6% Pref. Shs. of £1 each, payable 5/- per share on application, 5/- per share on allotment, 10/- per share due on call 3 months after. 30000 Ord. Shs. of £1 each, of which 20000 were issued to the vendors in part payment of the purchase price of the business, the balance to be offered to the public for £1 2 6 each payable 7/6 per share on application, 5/- on allotment, and 10/- three months after. There were also 100 4% Debentures of £100 each issued, 50 of which were issued to the vendors in part payment of the purchase price of the business, payable £20 on application, £80 on allotment. The whole of the Pref. Shs. and the Debentures were applied for and allotted 10th Jan., and 11000 Ord. Shs. were applied for. Of the 1000 over applied for the application money for 500 was returned and the application money for the other 500 was carried to the Allotment A/c. The B/S. of Black & Tan on the 31st December, was as follows :—

Sundry Creditors	£8000 –	Cash in hand	£41 10
Capital A/cs.	33661 10	Cash in Bank	2620 –
		Sundry Debtors	9500 –
		Stock	12500 –
		Plant and Machinery	7000 –
		Premises	10000 –

The new Company was to take over all the assets except cash in hand and at the Bank, and to take over all the liability to Creditors. The purchase price was agreed at £40000 ; £20000 in Ordinary Shares @ £1 each ; £5000 in Debentures and £15000 in cash. The whole of the moneys due on the Shares and Debentures was paid with the exception of the amount due on the Call A/c. on 500 Ordinary Shares, and these Shares were forfeited by resolution of the Directors. Make the necessary entries in the books of Black & Tan, Ltd., to record the above transactions and prepare a B/S. *Key below.*

Key to Ex. 1. Journal of Black & Tan, Limited.

			Dr.	Cr.
Jan. 1.	Pref. Share Application A/c. ....Dr.		£5000	
	To Preference Share Cap A/c.			£5000 –
	Being amount due on application on 20000 shares at 5/- per share.			
	Ordinary Share Application A/c. Dr.		3750	
	To Premium on Ordy. Share A/c.			1250 –
	„ Ordinary Share Capital A/c. ..			2500 –
	Being amount due on application on 10000 shares @ 7/6 per share.			
	Ordinary Share Application A/c. Dr.		375	
	To Allotment A/c.			187 10
	„ Sundry Applicants			187 10
	Being amount over applied for on 1000 shares at 7/6 each.			
	Debenture Application A/c. ....Dr.		1000	
	To Debenture A/c.			1000 –
	Being amount due on application on 50 Debentures at £20 each.			
Jan. 10.	Pref. Share Allotment A/c. .....Dr.		5000	
	To Preference Share Capital A/c.			5000 –
	Ordinary Share Allotment A/c. ..Dr.		2500	
	To Ordinary Share Capital A/c. ..			2500 –
	Debenture Allotment A/c. .....Dr.		4000	
	To Debenture A/c.			4000 –
	Being amount due on allotment.			
	Sundry Assets—Debtors .....Dr.		9500	
	Stock A/c..... „		12500	
	Plant&Mchy.A/c. „		7000	
	Premises A/c. .. „		10000	
	Goodwill A/c. .. „		9000	
	To Black & Tan			48000 –
	Black & Tan .....Dr.		8000	
	To Sundry Creditors			8000 –
	Black & Tan .....Dr.		25000	
	To Ordinary Share Capital A/c. ..			20000 –
	„ Debenture A/c.			5000 –

Apl. 10.	Preference Share Call A/c. .....Dr.	£10000		
	To Preference Share Capital A/c.		£10000	–
	Ordinary Share Call A/c. .....Dr.	5000		
	To Ordinary Share Capital A/c. ..		5000	–
	Being amount due on call.			
	Ordinary Share Capital A/c.....Dr.	500		
	To Forfeited Shares A/c.		500	–
	Being 500 shares forfeited by resolution passed by the Directors this day. Number ... to ... standing in the name of			
	Forfeited Shares A/c.....Dr.	250		
	To Ordinary Share Call A/c.		250	–
	Being the amount due on shares forfeited as above.			

Dr. **Cash Book of Black & Tan, Ltd.** **Cr.**

an.	To Pref. Share Appn. A/c.	£5000 –	Jan.	By Sundry Applicants for Shares (Being amount returned on Shares over applied for)	£187 10
	.. Ordy Share Appn.A/c.	4125 –		,, Black & Tan in part payment of purchase of business	15000 –
	,, Debenture Appn. A/c.	1000 –		,, Balance.....	21000 –
	,, Pref. Share Allot. A/c.	5000 –			
	,, Ordy. Share Allot. A/c.	2312 10			
	,, Debenture Allot. A/c.	4000 –			
	,, Pref. Share Call A/c.	10000 –			
	,, Ordy. Share Call A/c.	4750 –			
		£36187 10			£36187 10

Balance Sheet of Black & Tan, Ltd.

Liabilities.			Assets.	
Nominal Registered Capital.....£50000			Premises £10000	
			Plant & Machinery 7000	
Issued & Called-up Capital:—			Stock 12500	
20000 Pref. Shares of £1 each £20000			Sundry Debtors 9500	
30000 Ordy. Shares of £1 each £30000			Bank 21000	
Less 500 Shares forfeited 500	29500	49500	Goodwill 9000	
Debentures	10000			
Premium on Shares A/c.	1250			
Forfeited Shares A/c.	250			
Sundry Creditors	8000			
	£69000			£69000

Company Exercise 2.

A Company was formed with £2000000 Share Capital, divided into 1000000 £1 Ordy. and 1000000 £1 5% Preferred Shares, and Debenture Stock of £1000000, to take over from 1st Jan. 1901, a number of businesses doing the same class of trade. The purchase price of the businesses was £2550000, composed as follows :

Land and Buildings, £1050000 ; Stocks-in-Trade, £500000 ; Book Debts (guaranteed by the Vendors), £200000 ; Trade Marks, Patent Rights and Goodwill, £800000, to be paid for as to £333000 in fully paid Ordy. Shares, £333000 in fully paid Pref. Shares, and £334000 in Debenture Stock of the Co. and as to the balance in Cash or in fully paid Ordy. Shares at the price of 22/6 per share, at the option of the Vendors. The Vendors availed themselves of this option to the extent of £100000 Shares, and the balance of Share Cap. and Debenture Stock was issued to the public at par, as below. Make the entries in the Company's books.

	Per Share.	Debenture Stock.
On Application	2/6 ..	25%
On Allotment	5/– ..	25%
On 30th April, 1901	5/– ..	50%
On 31st May, 1901	7/6	

Company Exercise 3.

A Private Firm sells its business to a Company. Assets :— Land and Buildings, £20000 ; Plant and Machinery, &c., £35000 ; Stock, £10000 ; Book Debts, £5000. It owes £3000. The Co. takes over all the assets and liabilities and pays the Firm £90000 in 2000 Ordy. Shares of £5 each, fully paid, 2000 5% Pref, Shares of £5 each, fully paid, and 20000 4% Debenture Stock, at par, and the balance in cash. The Co.'s Capital is £100000, consisting of 8000 Ordy. Shares of £5 each, 6000 5% Pref. Shares of £5 each, and 30000 4% Debenture Stock, all of which are issued—the Pref. Shares at a premium of 10/- a Share payable on allotment, 10/- a Share in respect of both classes of Shares is to be paid on Application, £2 (in case of Pref. £2 10s.) on Allotment, £1 10s. on First Call, and £1 on Final Call, while the Debentures are to be paid for—10% on Application ; 40% on Allotment ; 25% on First Call ; 25% on Final Call. Make the Cash and Journal entries in the Company's books.

Company Exercise 4.

A Company is formed to acquire an Engineering Business. The purchase price is fixed under Agreement dated 1st June, 1903, at £50000, payable as to £20000 in Ordy. Shares of the Co. of £1 each credited as fully paid, as to £20000 in 5% Debentures, and as to £10000 in Cash. The Co. has paid the Preliminary Exs. amounting to £500, but under the Agreement these are payable by the Vendor. The Goodwill of the business is valued at £10000. Below is a list of the Assets and Liabilities (excluding Goodwill) taken over by the Co. Prepare the opening Journal Entries for the Company's Books.

Overdraft at Bank	£5000	Book Debts	£15000
Sundry Loans	10000	*Less* Provision for Bad and Doubtful Debts.	2000 £13000
Trade Creditors	7000		
Bills Payable.....	2500	Stocks on hand	15000
		Machinery & Plant	30000
		Loose Tools & Rolling Stock..	5500
		Bills Receivable in hand ..	1000

Company Exercise 5.

The Leeway Engineering Co., Ltd., formed with a Capital of 100000 £1 Shares, purchased the Goodwill and Assets of Forrester & Co., Builders and Contractors, for the sum of £90000; Forrester & Co.'s Assets were as follows :—Land, Buildings, and Plant, £30000 ; Loose Tools, £4000 ; Stock-in-Trade and Work-in-Progress, less received on A/c., £30000 ; Sundry Debtors, £10000 ; Cash in Bank, £750 ; Cash in hand, £250 ; Liabilities to Creditors, £10000. The consideration was to be discharged—£65000 in fully paid shares and £25000 in cash. The balance of the share cap. was issued to the public, payable—2/6 per share on application ; 7/6 per share on allotment ; 5/- per share in two months after allotment ; Balance in four months after allotment. Prepare the Journal entries in the Company's books.

Company Exercise 6.

Prepare a B/S. of the Devonshire Iron Co., Ltd., at 31st Dec., 1904, from the following particulars :—Authorised Capital—£200000, divided into 100000 Ordy. Shares of £1 each and 100000 6% Cumulative Preference Shares of £1 each. 50000 Pref. Shares have been issued and are fully called up. 50000 Ordinary Shares have been issued and 15/- per share called up. The Authorised Debenture issue is £100000.

Preference Share Capital paid up	£49500
Calls on Preference Shares in arrear	500
Ordinary Share Capital paid up	37400
Calls on Ordinary Shares in arrear	100
Debentures issued—100 Bonds of £100 each, bearing interest at 4½% per annum	10000
Ordinary Shares—Calls paid up in advance	300
Cash at Bank £1650 ; Cash in hand	90
Trade Creditors £3860 ; Trade Debtors	19600
Stock in hand, 31st Dec., 1904	12350
Fixed Plant & Machy., £33200 ; Freehold Land & Bldgs.	27500
Loose Plant & Tools, £9600 ; Reserve Fund	6000
Patterns & Drawings, £5000 ; Investments on a/c. of Res. Fund	5500
Reserve for Bad & Doubtful Debts	980
Depreciation of Plant & Machinery	1600
Dividend on Preference Shares for the year	2970
Interim Dividend on Ordinary Shares	1870
P. & L. A/c., Balance after paying Interim Dividend on Ordinary Shares and Div. on Preference Shares	4850

Answer.—Total B/S. £111910.

Company Exercise 7.

The following is the liabilities' side of the B/S. of a Company :

Nominal Capital :—5000 6% Preference Shares, £7 each	£35000
10000 Ordinary Shares, £2 10 – each	25000
	£60000

Capital issued :—3000 Preference Shares, fully paid			£21000
2000 Ordinary Shares, fully paid ...	£5000		
4000 do. do. £1 10s. paid .	6000		11000
Sundry Creditors			3400
Depreciation Fund			9500
Reserve Fund from accumulated profits			8000
Revenue A/c., balance of unappropriated profits			9000
			£61900

Resolutions are passed :—(1) To convert the Pref. Shares into £1 Shares ; (2) To declare out of the Reserve Fund and the balance out of Revenue A/c. a bonus dividend of 100% on the amounts paid up on the Ordy. Shares, to be applied and paid as follows : (*a*) On the fully paid Ordy. Shares—one-fourth in fully paid Pref. Shares, and three-fourths in additional fully paid Ordy. Shares. (*b*) On the partly paid Ordy. Shares—one-fourth in fully paid Pref. Shares, £4000 in paying up in full such partly paid shares, and the balance in fully paid Ordy. Shares. (3) To convert the Ordy. Shares into £1 Shares. Draft the Journal entries necessary to carry out these resolutions, and set out the liabilities' side of the B/S. after the resolutions are carried out.

Company Exercise 8.

Johnson & Co., as on 31st Dec., 1904, converted their business into a Limited Liability Company, and the following are the firm's and the Company's Balance Sheets. What Journal entries would be required to bring the firm's books to show the Company's figures as follows :—

Liabilities	Firm. 31st Dec. 1904.	Company. 1st Jan. 1905.
Partner's Cap...	£120000	
Reserve A/c. ..	15000	£3000
Shares fully paid		100000
Debentures		30000
	£135000	£133000

Assets.	Firm. 31st Dec., 1904.	Company. 1st Jan., 1905.
Cash	£2000	£2000
Stock	25000	20000
Book Debts	15000	12000
Goodwill	41000	54000
Property	50000	45000
Expense of converting into Co..	2000	
	£135000	£133000

Company Exercise 9.

James Smith sells his business to a private Limited Company. His assets at the date of sale are Freehold Premises, £4500 ; Plant and Fixtures, £3250 ; Stock, £3700 ; Book Debts, £3650 ; Cash at Bank, £940. His trade liabilities are £690. The Co. is registered with a cap. of £20000, divided into £1 shares. The purchase agreement provides that the vendor shall receive 16000 shares, credited as fully paid, as the consideration for the above assets and the goodwill, subject to the trade liabilities. The remainder of the nominal cap. is subscribed in equal shares by A., B., C., D., E., F., G., and H., who pay the whole amount into the Bank on the day of completion. Draft the opening Journal entries for the books of the new Company.

Company Exercise 10.

Brown, Jones, Robins & Sykes, carrying on business in partnership under the style of Brown, Jones & Co., Engineers and

Ironfounders, decide to convert their business into a Limited Company under the style of "The Brown & Jones Engineering Co., Ltd.," as on and from 1st January, 1906. The Assets of Brown, Jones & Co. were :—

Freehold Land & Buildings	£35000
Leasehold Land & Buildings	25000
Fixed Plant & Machinery	28000
Loose Plant, Tools & Patterns	15000
Stock-in-Trade £60000; Sundry Debtors £30000; Cash in hand	500
Patent Rights	10000

Their Liabilities were :—

Sundry Trade Creditors	12000
Midland Banking Co., Ltd.—Overdraft	20000
Thomas Mellor—Loan on First Mortgage of Freehold Property	15000
Executors of John Green, deceased—Loan on First Mortgage of Leasehold Property and Second Mortgage of Freehold Property	20000
Executors of Arthur Green (a former partner)	23000

The agreement of sale and purchase stipulates that the Limited Co. shall take over the assets at the values shown above, and that they shall discharge the liabilities and take over the Mortgage loans of the firm, and, in addition, allot to the partners £120000 of Ordy. shares fully paid up. The liability to the Executor of Arthur Green is to be discharged by the Allotment of 4½% debentures for the amount due. The Capital of the Co. is £250,000 divided into 150000 Ordy. Shares, and 100000 6% Pref. Shares of £1 each. The Pref. Shares are offered to the public for subscription, and applications are received for 15000 shares, 10/- per share being received on application. The Ordy. and Pref. Shares are allotted on 10th Jan., 1906, the balance of 10/- per share on the Pref. Shares being called up, all of which was received by 31st Jan., 1906. Make the entries in the Journal and Cash Book of the Company to record the above transactions.

Company Exercise 11.

The trading of Hall & Co., Ltd., for the year ended 31st Dec., 1906, resulted in a profit of £30000, after providing for all expenses of management, &c. The balance of profit brought forward from the previous year amounted to £2000. The paid up Capital of the Co. amounted to £100000 in Ordy. Shares, in addition to which the Co. had issued Debentures amounting to £60000. The Plant and Machinery appeared in the B/S. at £150000. Interest for one year at the rate of 5%, less Income Tax at 1/-, had to be provided in respect of the Mortgage Debentures. The Directors recommended and the shareholders confirmed :—(1) The transfer of a sum amounting to 10% on the book value of the Plant and Machinery to a Depreciation A/c. (2) The payment of dividend of 10% for the year on the Ordy. Share Capital, less Income Tax at 1/-. (3) The balance to be carried forward. Draft the entries necessary to give effect to the above.

Company Exercise 12.

Prepare a B/S. of Wilson & Co., Ltd., as at 31st December, 1906, from the following :—

Freehold Land & Buildings, £38000 ; Stocks on hand ..		£40000
Capital—Nominal £200000. Capital subscribed :		
40000 6% Cumulative Pref. Shares of £1 each, fully pd.		40000
27000 Ordinary Shares of £5 each, £2 called		54000
Plant & Machinery, £16000 ; Mortgage Debentures		16000
Additions to Plant during the year		2000
Debts due to the Company		20000
Cash in hand, £50 ; Cash in Bank		1000
Creditors on Open A/cs. and Bills Payable (including £20 unclaimed dividends)		5000
Balance in Bank on Dividend A/c., £20 ; Reserve A/c..		500
Bills Receivable (in addition to which Bills amounting to £500 were under discount)		1100
Insurance, &c., paid in advance, £100 ; Formation Exs.		100
First Call A/c. due from sundry shareholders		50
Profit & Loss A/c. :—Balance from last year £200		
Balance this year 8720		8920

Company Exercise 13.

A Limited Company is registered on 1st May, 1906. The Nominal Capital consists of :—10000 5% Pref. Shares of £5 each : 20000 Ordy. Shares of £5 each. In addition there are offered for subscription :—500 4½% 1st Mortgage Debentures of £100 each. The Pref. and Ordy. Shares are payable as follows :—£1 on Application ; £4 on allotment. The Debentures are payable as follows :—£5 on application ; £95 three months after allotment. The following applications are received, and on 15th May, 1906, the Directors proceed to allot :—9650 Preference Shares ; 18500 Ordinary Shares ; 500 Debentures. All moneys due on allotment are paid. Draft the Journal and other entries necessary to record the transactions in the books of the Company.

Company Exercise 14.

The Share Capital of the Leakage Co., Ltd., is as follows :—1000000 Ordy. Shares of £1 each ; 500000 Pref. Shares of £1 each, the whole of the Capital being subscribed and paid up. Having sustained heavy losses for several years in succession, the sanction of the Court is obtained to write down the £1 Ordinary Shares to 8/-, and the Preference Shares to 12/- per share. Show the entries in the books of the Company (in the form of ledger accounts) to record such reduction of Capital.

Company Exercise 15.

A Company has an issued Capital of £30000 in shares of £1 each, fully paid, with the exception of 600 shares held by John Jones, 10/- paid. The latter are forfeited for non-payment of calls, and subsequently re-issued to William Brown, fully paid, at the price of 15/- per share. Show the entries in the Company's Journal and Ledger recording these transactions.

RESERVES.

411. In all trading concerns **fluctuations** are likely to occur, and it is therefore prudent to **reserve part of the profits** of prosperous years to meet the difficulties of unsuccessful years. In ordinary businesses *not* subject to limited liability, the profits are usually divided among the partners, whose capital a/cs. are credited with the whole of the profits, *no* Reserve A/c. being opened. In the case of Limited Liability Companies, however, a portion of the profit is often "reserved" before the distribution of the dividends among the shareholders, the unappropriated profit being carried forward to the next year's a/c. as shown in the Appropriation A/c. given on page 425.

412. Table A, being the first schedule to the Companies' (Consolidation) Act, 1908, provides that, before recommending any dividend the directors may set aside out of the profits such sums as they think proper as a reserve, which shall, at the discretion of the directors, be applicable for meeting contingencies, or for equalising dividends, or for any other purpose to which the profits may be properly applied, and, pending such application, may either be employed in the business or be invested.

413. By some authorities a **Reserve,** variously expressed as *Reserve A/c., Reserve Fund, Surplus, Margin, Rest,* is considered to be the amount by which the assets of a concern *exceed* the total of its paid-up capital and liabilities, and would be better known merely as a "Surplus," or, as in the case of the Bank of England, a "Rest"; its principal objects being to meet *any* contingencies, to provide against loss of capital, to equalise dividends, to increase working capital, or, as an extra inducement to those with whom the company trades, to give credit. By other authorities the term "Reserve" is stated to be a sum set apart to cover a *special,* as distinguished from a general, liability. It differs from the Reserve Fund in that additions to a Reserve may be made from revenue, even in years when there are no profits. Such Reserves are closely allied to

Depreciation A/cs. in being charges *against* profits ; and so far as they are intended to cover expected *losses*. would, in the case of a private trader, be deducted from revenue before any estimate of the profits was made. But in the case of Companies, Directors and Managers (desirous of presenting favourable reports to shareholders) generally like to show profits as large as possible, and then purport to set aside part of the so-called profits to Reserves. A Company, then, which has never reached the point of having divisible profits may still have so-called reserves ; sums set aside from revenue, and specially ear-marked to meet special liabilities, and until these amounts are set free by the extinguishment of the liabilities which they were created to cover they ought not to be applied to any other purpose. Such Reserves, unless of a very general character, should always be shown in the B/S. *not* as liabilities, but as *deductions from the particular assets* in respect of which they were created. There would then be no possible confusion between them and the Reserve Fund A/c., which may properly be shown among the liabilities as a fictitious creditor. A real **Reserve** is composed of and *created* by amounts *set aside out of divisible profits*, after all due provision has been made for depreciation and other known, expected, or contingent losses and liabilities ; the object of such Reserve being either to enable dividends to be equalised in varying years, or to strengthen the general financial position of the company. In the case of banks an additional security is afforded to the depositors. A Reserve is therefore, a portion of the credit balance of the P. & L. A/c. which has been ear-marked as being "reserved." Such reserved profits are sometimes spoken of as *capitalised profits*, because they result in increasing the working capital. If at any subsequent time losses be sustained which cause the P. & L. A/c. to show a debit balance, any credit balance that there may be upon the Reserve Fund A/c. must be at once applied towards extinguishing this debit balance. There can be no real Reserve until any debit balance on the P. & L. A/c., or such assets as Preliminary Expenses, have been wiped out.

Where the Articles give power to form a Reserve for a special purpose, but no power to divert the same to another purpose, the Articles must be altered before such special Reserve can be legally dealt with in any other way. The *difference* between a Reserve Fund and a Reserve Fund A/c. must be carefully noted, the **Fund** referring to the actual **asset,** a **Dr. Balance,** while the **Account** merely relates to the *record of the amount* appropriated, which is a **Cr. Balance.** The £3000 shown in the Appropriation A/c. on page 469 would first be transferred to the Reserve Fund A/c., and should the amount be invested *outside* the business, the Investment would be recorded in a separate a/c. ; the amount of the **Account** appearing in the B/S. as a **liability** and the amount of the **Investment** as an **asset.**

414. The interest on a Reserve Fund Investment may either be credited to the P. & L. A/c. and distributed, or credited to the Reserve Fund A/c. and thus allowed to accumulate.

Dr.	Reserve Fund A/c.	Cr.
	1914—Dec. 31. By P. & L. A/c. £3000	

Dr.	Reserve Fund Investment A/c.	Cr.
1914—Dec. 31. To Consuls....£3000		

Balance Sheet on 31st December, 1914.

Liabilities	Assets.
Reserve Fund A/c. ..£3000	Reserve Fund Investment : Consols £3000

415. Reserves created for the purpose of **replacing Assets** or providing against diminishing values are charged *against* profits and are best dealt with as Sinking Funds or as a Depreciation Fund A/c., as mentioned in pars. 367, 421. While some authorities contend that a Reserve should be invested outside the business in " gilt-edged " securities, others maintain that such an investment is immaterial, so long as all the assets of the business are not stated at a figure in excess of their *real market value* ; and the amount of the Reserve is the genuine excess of Assets over Liabilities and capital.

It is quite possible for a firm to show an immense Reserve in their B/S., and still be insolvent by reason of the fictitious value given to the assets ; while a Reserve is no guarantee against the embarrassment caused by overtrading. The particular nature and circumstances of each business must determine whether it is desirable to invest the fund outside the business. In a financial undertaking, or a bank, it is manifestly necessary that the Reserve should exist in the form of liquid securities that can be realised to meet a run on the part of depositors or loan creditors ; also in the case of commercial concerns, where assets have to be replaced at intervals ; but in most business undertakings there is rarely any need for outside securities, the best investments being those revenue-producing properties connected with their own particular trade, as well as the advantage of being able to secure discount for cash purchases in preference to taking credit either on open a/cs. or bills payable. It would be foolishness indeed to invest a Fund at 5%, and at the same time borrow on Mortgage at 6%, the shareholders suffering a reduction of dividend ; while, in some cases, it might necessitate the issue of more capital, and so widen the area upon which dividends would have to be paid.

416. A **Secret, Hidden,** or **Inner Reserve,** differs from those previously described in that it is an *undisclosed surplus*, not appearing in the B/S., and generally exists without the knowledge of the shareholders. Such a Reserve is one existing by reason of the under-valuing of assets or the excessive statement of liabilities. The assets which are specially liable to be understated by reason of *appreciation* in value are, land, buildings kept in first-class repair, investments in stocks and shares, patents, copyright, goodwill ; the latter sometimes being omitted altogether. Excessive reserves for doubtful debts and discounts, &c., as well as excessive depreciations of assets may also be instanced. The most notable example, however, is that of the B/S. of the Bank of England, which does not disclose the value of the Bank Premises, which are worth several million pounds,

417. A **RECEIPTS & PAYMENTS ACCOUNT** is merely a **classified summary** of the Cash actually *received and paid*, as recorded in the Cash Book, for a stated period, opening and closing with the usual cash balance. These cash transactions may, of course, relate to both **capital** and **revenue,** and may affect both the *preceding* and *succeeding* period to that actually covered by the account, so that beyond showing the nature and magnitude of the cash transactions for the period, and verifying the cash balance as shown in the Balance Sheet, this account answers no useful purpose. Such a statement of Receipts and Payments must not be confounded with one of income and expenditure, for an *Income & Expenditure A/c.* often includes items that have *neither* been received nor paid. If *all* the income should have been received and all the expenditure paid in the form of cash, during a given period, then the

Dr. **CASH SUMMARY A/c.** **Cr.**

Receipts.	£	s.	d.	Payments.	£	s.	d.
To Cash in hand, 1st Jan., 1914	2	2	6	By Purchases & Carriage :—			
Sales :—				Grocery	7434	3	10
Grocery	9624	3	6	Drapery	4007	17	2
Drapery	5898	11	1	Boot & Shoe	5060	19	7
Boot & Shoe	6123	5	8	Coal	3384	14	9
Coal	5144	9	8	,, Expenses :—			
,, Rent	56	2	8	Wages	1862	3	4
,, Share Contributions	677	8	6	Fees	15	10	–
,, Penny Bank Deposits	304	2	10	Deputations	3	2	7
,, Loan Deposits	6905	–	–	Repairs	128	3	6
,, Club Subscriptions	44	3	3	Rents, Rates & Taxes	86	3	2
,, Share Investments A/c.	481	8	1	Insurance	12	2	7
,, Bank Withdrawals	2819	10	4	Coal, Gas & Water	22	3	6
				Printing & Stationery	67	2	9
				Travelling	46	8	7
				Advertising	28	2	7
				Horse Expenses	62	1	9
				Law Costs	13	4	2
				Sundries	14	2	6
				,, Dividend & Interest	4317	2	8
				,, Share Withdrawals	394	11	7
				,, Penny Bank Withdls.	297	12	6
				,, Loan Withdrawals	224	3	8
				,, Club Withdrawals	68	8	6
				,, Land, Bldgs. & Fixt'es	4223	–	–
				,, Bank Deposits	6286	16	5
				,, Cash in hand, 30th June, 1914	20	6	5
	£38080	8	1		£38080	8	1

Receipts & Payments A/c. would, of course, truly represent, and be **identical** with the *Income & Expenditure A/c.* It is customary for Co-operative and Building Societies to publish a Cash A/c. as part of their Annual Report.

418. INCOME & EXPENDITURE A/c. is the special name given to the *Profit & Loss A/c.* or *Revenue A/c.* **of non-trading concerns** such as clubs, professional, trade, literary and scientific societies; political, social and religious associations. It is a classified summary of profit and loss transactions, showing on the **credit** side the entire **income** earned during a given period (whether actually received or not) and upon the **debit** side the **expenses** incurred in earning such income, and otherwise chargeable to the period (whether actually paid or not), the **difference** representing the net profit or loss for the period covered. When the *only asset* is *Cash*, and the account commences with the *Balance brought forward* from the previous period, the *Opening Balance* must be deducted from the *Closing Balance* in order to ascertain the profit or loss for the period covered. For example, the first item below on the income side—£2623 10 10, deducted from the final balance of cash, shows the profit for 1921 to be £311 8 10. When the **assets** consist of items other than *Cash*, it is advisable to prepare a **Balance Sheet,** to which the profit or loss should be carried, on the periodical closing of the books.

THE CORPORATION OF ACCOUNTANTS, LTD.

Dr. Income and Expenditure A/c. for the year ended 31st December, 1921. **Cr.**

Expenditure.	£	s.	d.	Income.	£	s.	d.
To Printing, Stationery, &c.	374	19	4	By Balance from 1920	2623	10	10
„ Office Charges, &c.	776	–	10	„ Subscriptions	1534	18	3
„ District Societies	327	–	5	„ Entrance Fees	527	2	3
„ Accountants' Notes	179	4	6	„ Examination Fees	336	–	–
„ Library Depreciation	7	10	–	„ Interest on Investments	118	14	5
„ Subscriptions	5	5	–				
„ Examination Expenses	491	17	2				
„ Corporation Duty	5	13	11				
„ Income Tax	24	12	–				
„ Advertising	7	19	6				
„ Law Expenses	1	11	6				
„ Sundries	3	11	11				
„ BALANCE	2934	19	8				
	£5140	5	9		£5140	5	9

THE BRISTOL SOCIETY OF CHARTERED ACCOUNTANTS.

Dr. Income & Expenditure A/c. for the year ended 31st December, 1909. Cr.

	£ s. d.	£ s. d.		£ s. d.	£ s. d.
To Expenses of Library :—			By Subscriptions :—		
Rent	40 – –		38 Members in Practice	39 18 –	
Accountants' Magazine	4 3 1		3 Members not in Practice	1 11 6	41 9 6
Printing and Stationery	7 11 1				
Incidentals	3 1 3	54 15 5	„ Institute of Chartered Accountants : Grant for 1909		50 – –
„ Expenses of Annual Lecture		4 12 6	„ Bristol Chartered Accountants' Students Society :— For use of Room		5 – –
„ Depreciation :—					
Books, 5% on £254 7 8	12 14 5				
Furniture, &c., 10% on £108 15 5	10 17 6	23 11 11			
„ CAPITAL A/c. :—					
BALANCE transferred		13 9 8			
		£96 9 6			£96 9 6

Balance Sheet on 31st December, 1909.

Liabilities.	£ s. d.	£ s. d.	Assets.	£ s. d.	£ s. d.
Sundry Creditors :—			Literary Books :-		
Tribe, Clarke & Co.	47 1 8		Per last Statement	122 19 10	
Curtis, Jenkins & Co.	4 12 9		Additions this year	15 3 –	
J. J. Thomas	10 19 8			138 2 10	
M. V. Brazier	1 19 6	64 13 7	*Less* Depreciation this year	12 14 5	125 8 5
CAPITAL A/c. :—			Library Furniture & Fittings :—		
Per last Statement	268 15 3		Per last Statement	89 15 7	
Income & Expenditure A/c.	13 9 8	282 4 11	Additions this year	2 16 1	
				92 11 8	
			Less Depreciation this year	10 17 6	81 14 2
			Cash at Bank		139 15 11
		£346 18 6			£346 18 6

THE ROADS IMPROVEMENT ASSOCIATION (Incorporated).

Dr. Income and Expenditure A/c. for the year ended 31st December, 1908. Cr.

Expenditure.	£	s.	d.	£	s.	d.
To Rent, Lighting and Cleaning				87	7	11
,, Assistant Secretary's Salary				130	–	–
,, International Road Congress (Printing, Stand, &c.)	38	2	4			
Less Donations Received	13	8	9	24	13	7
,, Tar Spreading Trials	75	3	–			
Less Donations Received	55	17	–	19	6	–
,, Printing & Stationery				39	10	4
,, Office Furniture				13	5	9
,, Stamps, Telegrams and Carriage				21	10	–
,, Subscription to Press Cutting Agency				4	4	–
,, Printing Forms for insertion in "C.T.C." Gazette				8	8	–
,, Hon. Secretary's Exs. & Disbursements				20	–	–
,, Newspapers, Insurance & Sundries				1	5	7
,, Auditors' Fee				2	2	–
,, BALANCE carried forward :—						
General	486	12	2			
Subscriptions paid in advance	5	13	–			
London-Newhaven Road Fund	12	1	–			
Earlswood Common Hill Fund	5	15	–			
Life Members' Subscriptions	29	8	–			
Five-yearly Subscriptions A/cs.— *Less* proportion charged to this year's Receipts	25	8	2			
	564	17	4			
Petty Cash	1	13	11	566	11	3
				£938	4	5

	£	s.	d.	£	s.	d.
By BALANCE from 1907 :—						
General	511	7	8			
Subscriptions paid in advance	1	–	–			
London-Newhaven Road Fund	12	1	–			
Earlswood Common Hill Fund	5	15	–			
Life Members' Subscriptions	29	8	–			
Five-yearly Subscriptions A/c.	5	17	7			
	565	9	3			
Petty Cash	5	2	3	570	11	6
Deduct : Subscriptions received during 1907 for the year 1908 : included in this year's Receipts	1	–	–			
Proportion of Five-yearly Subscription A/cs. chargeable to this year's Revenue	1	9	5	2	9	5
General Income.				568	2	1
To Members' Subscriptions, viz. :—						
279 Members' Subscriptions @ 5/-	69	15	–			
Subscriptions paid in advance	5	13	–			
Five-yearly Subscriptions	26	5	–			
Five-yearly Subscriptions A/c., proportion transferred	1	9	5	103	2	5
,, Receipts from Motor Clubs				204	2	6
,, Donations from Individuals				48	13	–
,, Sale of Pamphlets				9	15	6
,, Interest on Deposit				4	8	11
				£938	4	5

THE POLITICAL CLUB, LIMITED.

Dr. Income & Expenditure A/c. for the year ended 31st December, 1909 Cr.

	£	s.	d.		£	s.	d.
To Salaries and Wages	625	8	5	By Annual Subscriptions	876	10	–
,, Rent, Rates and Taxes	261	–	4	,, Profit from Provisions (after maintenance of Staff), Wines, Spirits, Beer, Stout, Mineral Waters, Cigars and Cigarettes	665	9	11
,, Fuel and Lighting	206	1	–	,, Profit from Cards	17	10	9
,, Printing, Stationery and Postages	25	18	3	,, Profit from Billiards	417	2	2
,, Newspapers and Magazines	28	18	11	,, Bank Interest	33	9	10
,, Repairs and Renewals	329	8	10				
,, Washing	113	–	10				
,, General Household Expenses and Petty Cash	73	10	10				
,, Debenture Interest	17	15	5				
,, Provision for re-decoration	120	–	–				
,, PROFIT transferred to Capital A/c.	208	19	10				
	£2010	2	8		£2010	2	8

Balance Sheet on 31st December, 1909.

Liabilities.	£	s.	d.	Assets.	£	s.	d.
Debentures bearing 3% Interest	600	–	–	Structural Alterations, Furniture, Fittings, Decorations, Glass, China, and Table and House Linen	875	3	1
Sundry Creditors	693	9	–	Stocks on hand, &c.	153	12	–
Life Membership A/c.	94	10	–	Cash in Bank	1251	3	9
Re-decoration Fund	120	–	–				
CAPITAL A/c. :—							
Balance, 1st January, 1909 £563 – –							
PROFIT for 1909, as per Income & Expenditure A/c. 208 19 10	771	19	10				
	£2279	18	10		£2279	18	10

THE INCORPORATED SOCIETY OF AUTHORS.

Dr. Income & Expenditure A/c. for the year ended 31st December, 1909. Cr.

	£	s.	d.	£	s.	d.
To Management Expenses :—						
Postages and Telegrams	94	11	4			
Housekeeper	18	6	1			
Typewriting	8	17	11			
Travelling Expenses	7	1	11			
Audit Fee & Accountants' Charges	14	6	6			
Telephone	6	10	–			
Miscellaneous Expenses	36	10	1	186	3	10
,, Rent & Electric Light				110	15	7
,, Salaries :—						
General	576	17	6			
Editor of *Author*	100	–	–	676	17	6
,, Stationery & Printing				120	13	–
,, Expenses of Publications :—						
Composition, Printing, &c.	230	3	5			
Articles, &c., *Author*	26	18	–			
Slip Notices, &c.	21	7	10			
Postages, &c.	99	6	8			
Prospectuses & Lists of Members	31	3	–	408	18	11
,, Printing Annual Report				21	18	–
,, Readers' Fees & Translations				43	19	–
,, Annual Dinner				56	6	8
,, Legal Expenses				1048	2	6
,, Depreciation A/c.				25	13	–
				£2699	8	–

	£	s.	d.	£	s.	d.
By Annual Subscriptions				1923	14	6
,, Proceeds of Publications :—						
Subscriptions & Donations to *Author*	81	4	–			
Sale of Sundry Publications	5	18	6	87	2	6
,, Advertisements in *Author*	45	5	6			
Less Commission paid and due	12	6	5	32	19	1
,, Dividends on Investments, viz. :—						
£268 L. & Y. Railway 3% Stock	7	12	6			
£240 Staffs. County 3% Stock	6	16	3			
£521 7 3 Consols 2½%	12	6	8			
£150 War Stock 2¾%	4	2	4			
£274 1 3 West Australian Government 3½% Stock	9	1	6			
£117 17 9 Croydon 3½% Stock	3	18	2			
£397 15 4 London County 3% Stock	4	18	2	48	15	7
,, Readers' Fees and Translations				39	15	–
,, Scenario Registration Fees				2	7	6
,, Dinner (Annual)				55	12	6
,, LOSS transferred to Capital A/c.				509	1	4
				£2699	8	–

DOUBLE ACCOUNT SYSTEM. (See par. 419.)

The Twentieth Century Coal Company, Limited.

Dr. **Capital Account** for the year ended 31st December, 1912. **Cr.**

Nature of Expenditure.	Outlay to 31st Dec., 1911.	Expended this year.	Total.	Nature of Receipt.	Rec'd to 31st Dec., 1911.	Received during year.	Total.
To Preliminary and Parliamentary Expenses	5000		5000	By Ordinary Shares of £10 each	50000		50000
„ Offices, sheds, cottages, and workshops	15000		15000	„ Preference Shares of £10 each	50000		50000
„ Sinking shafts, heapsteads, screens, etc.	41875	20000	61875	„ Premium on Shares	2500		2500
„ Siding accommodation, underground and surface engines, pulleys, locomotives, wagons, staiths, etc.	55000	7850	62850	„ Debentures	30000	30000	60000
„ *Balance*			17775				
	£116875	£27850	£162500		£132500	£30000	£162500

General Balance Sheet for the year ended 31st December, 1912.

Liabilities.		£	*Assets.*		£
CAPITAL A/c. :—Credit Balance		17775	Materials and Stores		4000
Sundry Creditors :—			Minerals		7000
On Bills Payable	£6350		Sundry Debtors	£5100	
„ Open Accounts	3000		*Less* bad and doubtful debts	100	
		9350			5000
Reserve Fund		10000	Bills Receivable		3000
Depreciation Fund		5000	Cash at Bank		65625
REVENUE A/c. :—Credit Balance		55000	Investments		12500
		£97125			£97125

NORTH EASTERN RAILWAY COMPANY.

Dr. No. 10. Receipts and Expenditure in respect of Railway Working. Cr.

See Abstr'cts	Expenditure.	£ s. d.	Per Cent.	Percentage of Traffic Receipts
A	Maintenance and Renewal of Way and Works	1019249 18 –	9.11	
B	Maintenance and Renewal of Rolling Stock :—			
	(1) Locomotives..676067 9 6		6.04	
	(2) Carriages.....331599 18 3		2.96	
	(3) Wagons 855059 9 3	1862726 17 –	7.64	
			16.64	
C	Locomotive Running Expenses 1351040 15 5		12.07	
D	Traffic Expenses ..2093861 – 9	3444901 16 2	18.71	
			30.78	
E	General Charges	192270 3 10	1.72	
	Law Charges	11445 18 –	.10	
	Parliamentary Expenses	4500 – –	.04	
	Compensation(Accidents & Losses)			
	Passengers 5665 16 4		.05	
	Workmen ..... 25397 – 3		.23	
	Damage & Loss of Goods, Property, &c. 37833 3 2	68895 19 9	.34	
			.62	
	Rates	440229 12 1	3.93	
	Taxes	155 1 –	..	
	Tithe Rent Charges	1444 9 10	.01	
	Government Duty	13600 4 3	.12	
	National Insurance Act, 1911 :—			
	Health..... 31652 8 2		.28	
	Unemployment .. 3945 14 10	35598 3 –	.04	
			.32	
G	Running Powers (Balance)	105545 – 5	.94	
	Total Traffic Expenditure	7200563 3 4	64.33	
J	Joint Lines	7647 5 8		
	Miscellaneous	12573 14 6		
	Total Expenditure	7220784 3 6		
	Net Receipts	4094345 9 2		
		£11315129 12 8		

See Abstr'cts	Receipts.	£ s. d.	£ s. d.	Percentage of Traffic Receipts
	Passenger Train Traffic—			Per Cent.
	Ordinary Passengers :—			
	First Class	205252 18 9		
	Third Class	2577235 7 5	2782488 6 2	
	Season Tickets :—			
	First Class	88452 6 2		
	Third Class	207147 19 8	295600 5 10	
	Workmen's Tickets		56647 12 11	
	Total Receipts from Passengers		3134736 4 11	
	Mails		71189 – 6	
	Parcels up to 2 cwt., Parcels Post and Excess Luggage ..	403269 10 2		
	Other Merchandise by Passenger Trains	234684 13 9		
		637954 3 11		
F	*Less* Expenses of Collection and Delivery	25272 18 9	612681 5 2	
	Total Passenger Train Receipts		3818606 10 7	34.12
	Goods Train Traffic :—			
	Merchandise	2995867 9 11		
	Less Expenses of Collection and Delivery	181324 – 1		
		2814543 9 10		
	Live Stock	115862 9 3		
	Coal, Coke and Patent Fuel ..	2954299 9 6		
	Other Minerals	1489993 2 3		
	Total Goods Train Receipts		7374698 10 10	65.88
	Total Traffic Receipts		11193305 1 5	100.00
H	Mileage, Demurrage & Wagon Hire (Balance)		12632 4 7	
J	Joint Lines		13468 15 3	
	Miscellaneous		95723 11 5	
			£11315129 12 8	

NORTH EASTERN RAILWAY COMPANY.

No. 9. Proposed Appropriation of Net Income.

	£ s. d.	£ s. d.
Balance brought forward from last year's Account		128036 6 4
Net Income (as per Statement No. 8)		4454967 15 3
		4583004 1 7
Deduct—Interest, Rentals, and other Fixed Charges :—		
Interest on Superannuation and other Funds	50544 12 5	
Rent Charges (or feu duties) and Annuities	6750 2 3	
Chief Rents, Wayleaves, &c., including Lump-sum Tolls	34671 13 5	
West Hartlepool Primary Charges	1547 10 –	
Interest on Debenture Stock	722842 1 7	
Rent of and Guaranteed Interest on Leased and Worked Lines :— £ s. d.		
Rent of Great North of England, Clarence and Hartlepool Junction Railway .. 2789 7 6		
Rent of Scarborough, Bridlington and West Riding Junction Railway ..... 10000 – –		
	12789 7 6	
General Interest	81874 18 4	
Interest on Temporary Loans	3809 3 10	
Joint Lines—Abstract J—Company's Proportion	40 – 2	914869 9 6
Balance after payment of Fixed Charges		3668134 12 1
Appropriation to Reserve and other Special Purposes :—		
Reserve for Pensions	50000 – –	
General Reserve Fund	50000 – –	
Suspense Account—Renewals and Contingencies	50000 – –	
Reserve for Revenue Charges in respect of Electric Equipment of Lines	150000 – –	300000 – –
		3368134 12 1
Dividends on Guaranteed and Preference Stocks :—		
Great North of England Purchase Shares at 4% per annum	1469 1 4	
North Eastern Railway Guaranteed Stock at 4% per annum	338676 2 4	
North Eastern Railway Preference Stock at 4% per annum	650900 9 8	991045 13 4
Balance available for Dividend on Consols		£2377088 18 9
Dividend on North Eastern Consols at 7% per annum	2242141 14 9	
Balance carried forward to next year's Account	134947 4 –	

NORTH EASTERN RAILWAY COMPANY.

Dr. No. 4. **Receipts and Expenditure on Capital Account.** **Cr.**

To Expenditure :—	Amount expended to 31st Dec., 1912. £ s. d.	Amount expended during year as per No. 5 £ s. d.	Total. £ s. d.
Lines open for Traffic	55919204 8 1	199869 11 11	56119074 – –
Lines not open for Traffic—			
New Lines	114572 7 4	57868 8 2	172440 15 6
Widenings of and additions to existing Lines	26630 18 9	5660 11 4	32291 10 1
Lines leased	24246 16 1	65 – –	24311 16 1
Lines jointly owned	810243 1 1	17726 3 4	827969 4 5
Rolling Stock	14138609 17 –	120000 – –	14258609 17 –
Manufacturing & Repairing Works and Plant :—			
Land and Buildings	838535 9 9	35700 – 11	874235 10 8
Plant and Machinery	357420 – –	1533 2 9	358953 2 9
Total Capital expended upon Railway	72229462 18 1	438422 18 5	72667885 16 6
Canals	57114 14 3		57114 14 3
Docks, Harbours & Wharves	9225078 13 11	258729 2 6	9483807 6 5
Hotels	352877 5 –		352877 5 –
Electric Power Stations, &c.	49813 12 1	447 18 3	50261 10 4
Land, Property, &c., not forming part of the Railway or Stations :—			
Used in connection with Railway working	68531 16 9	319 13 9	68851 10 6
Not used in connection with Railway working	1779643 7 –	3936 1 4	1783579 8 4
Subscriptions to other Companies (for details see Table No. 4 : (a))	398450 – –		398450 – –
£	84160972 7 1	701855 14 3	84862828 1 4

By Receipts :—	Amount received to 31st Dec., 1912 £ s. d.	Amount received during year. £ s. d.	Total. £ s. d.
Shares and Stocks (No. 2)	55777303 5 4	17195 – –	55794498 5 4
Debenture Stock (No. 3)	18493090 – –	3535 – –	18496625 – –
West Hartlepool Account "Primary Charges"	62400 – –	Paid off 1000 – –	61400 – –
£ s. d.			
Premiums on Shares and Stocks ....5402661 3 –			
Premiums on Debenture Stocks. 686430 4 1			
Total Premiums..6089091 7 1			
Discounts on Shares and Stocks .... 44 – 5			
Discounts on Debenture Stock ..149356 4 1			
Total Discounts 149400 4 6			
Balance of Premiums and Discounts	5937683 18 9	2007 3 10	5939691 2 7
£	80270477 4 1	21737 3 10	80292214 7 11
By BALANCE			4570613 13 5
£			84862828 1 4

No. 18. **General Balance Sheet of The NORTH EASTERN RAILWAY COMPANY**
for the year ended 31st December, 1913.

	£	s.	d.		£	s.	d.
Temporary Loans	115000	–	–	Capital A/c.:—Balance at Debit thereof as per Account No. 4	4570613	13	5
Unpaid Interest and Dividends	49514	9	8	Cash at Bankers and in hand	108394	8	1
Interest and Dividends payable or accruing and provided for	361447	10	6	Investments in Consols and Government Securities	6361	17	6
Amount due to Railway Companies and Committees	38162	1	11	Investments in Stocks and Shares held by the Company not charged as Capital Expenditure	7000	–	–
Savings Banks	1095642	5	–	Hull Joint Dock—Hull and Barnsley Railway Advance Account	977978	1	1
Superannuation and other Provident Funds	1405003	–	6	Stock of Stores and Materials	1407915	–	11
Accounts Payable	178327	5	5	Outstanding Traffic Accounts	825958	9	11
Liabilities Accrued	122263	7	8	Amount due by Railway Companies & Committees	76243	7	10
Miscellaneous Accounts	361240	3	10	Amount due by Railway Clearing Houses	9388	18	1
Insurance Fund	532911	10	9	Amount due by Postmaster-General	19641	18	5
General Reserve Fund	420000	–	–	Accounts Receivable	18853	8	5
Suspense Account—Renewals and Contingencies	1367875	16	11	Miscellaneous Accounts	281383	3	5
Balance available for Dividends and Reserve as per Account No. 9 £3668134 12 1							
Less, Interim Dividends paid as per Statement No. 9 (a) 1376089 17 2	2292044	14	11				
	£ 8309732	7	1		£ 8309732	7	1

No. 8. **REVENUE RECEIPTS and EXPENDITURE of the whole undertaking.**

	Gross Receipts. £ s. d.	Expenditure. £ s. d.	Net Receipts. £ s. d.
Railway	11315129 12 8	7220784 3 6	4094345 9 2
Omnibuses and other Passenger Vehicles not running on the Railway	17552 1 7	17063 14 –	488 7 7
Canals	475 7 1	1930 3 8	Dr. 1454 16 7
Docks, Harbours, and Wharves	717237 17 5	514213 18 5	203023 19 –
Hotels and Refreshment Rooms and Cars where Catering is carried on by the Company	184972 3 8	165286 17 7	19685 6 1
	£ 12235367 2 5	7919278 17 2	4316088 5 3
Miscellaneous Receipts (Net):—			
Rents from Houses and Lands			64124 14 3
Other Rents, including Lump Sum Tolls			57932 12 –
Interest and Dividends from Investments in other Companies:—		£ s. d.	
Cockermouth, Keswick and Penrith Railway Company		687 10 –	
Sunderland Dock Company		4078 10 –	
Wilson's and N.E.R. Shipping Company, Ld.		4125 – –	
Hull and Netherlands Steam Shipping Company, Ld.		6228 – –	15119 – –
Transfer Fees:—			1564 4 11
Joint Lines—Abstract:—Company's proportion of Receipts, other than in respect of Railway Working			138 18 10
TOTAL NET INCOME			£ 4454967 15 3

Revenue A/c. of the Hunslet Gas Co., Ltd.,

Dr. for the year ended 31st December, 1912. **Cr.**

	£	£		£	£
To Manufacture of Gas :—			*By Sale of Gas :—*		
Coals, including dues, carriage, unloading, and all Expenses of depositing same on Works	11000		Common Gas (99,000,000 cubic feet at 3/4 per 1000 cubic feet	16500	
Purifying Materials, Oil, Water, and Sundries at Works	400		Cannel Gas (cubic feet) at per 1000 cubic feet		
Salaries of Engineers, including Chief Engineer (if any) Superintendents and Officer at Works	400		Public Lighting and Under Contracts	2000	
Wages and Gratuities at Works	1500			18500	
Repairs and Maintenance of Works and Plant (including Renewal of Retorts), Machines, Apparatus, Tools, Materials and Labour	3750		Rental of Meters	500	19000
	17050		,, *Residual Products :—*		
Less Old Materials Sold	150	16900	Coke, less Labour and Cartage	3200	
,, *Distribution of Gas :—*			Breeze	100	
Salaries of Surveyor, Chief Inspector, Inspectors, Assistant Inspectors, and Clerks in Light Office	300		Tar	1000	
Repairs, Maintenance, and Renewal of Mains and of Service Pipes, including Materials, Laying and Paving, and Labour	400		Ammoniacal Liquor	700	5000
Repairing, Renewing and Refixing Meters	500	1200	,, *Gross Profit on Fittings*		800
,, *Public Lamps :—*			,, *Transfer Fees*		50
Lighting and Repairing		500			
,, *Rents, Rates, and Taxes :—*					
Rents	50				
Rates and Taxes	700	750			
,, *Management :—*					
Directors' Allowances	400				
Salaries of Secretary, Accountant and Clerks, Office Keepers, and Messengers	200				
Collectors' Commission or Salaries	400				
Stationery and Printing	100				
General Establishment Charges and Incidentals	200				
Auditor	50	1350			
,, *Law and Parliamentary Charges :—*					
Law	100				
Parliamentary (Oppositions)		100			
,, *Depreciation Fund* for Works on Leasehold Lands		50			
,, *Bad Debts*		50			
Total Expenditure		20900			
,, *BALANCE carried to Profit & Loss A/c.*		3950			
		£24850	Total Receipts		£24850

Receipts and Expenditure on Capital A/c of the Hunslet Gas Co., Ltd.,

Dr. for the year ended 31st December, 1912. **Cr.**

	Amount expended to 31st Dec., 1911.	Amount expended this year.	Total.		Amount received to 31st Dec., 1911.	Amount received during year.	Total.
	£	£	£		£	£	£
To EXPENDITURE to 31st December, 1912, viz.:				By Ordinary Shares of £10 each		10000	10000
,, Lands acquired, including Law Charges	2000		2000	,, Ordinary Stock	10000		10000
,, New Buildings, Manufacturing Plant, Machines, Storage Works, and other Structures connected with manufacture	30000	10000	40000	,, Second Preference Stock	10000		10000
				,, First Preference Stock	15000		15000
				,, Debenture Stock	10000		10000
,, New Mains and Service Pipes (not being in place of old ones), including laying same, paving and other works connected with distribution	15000	5000	20000	,, Premiums on Issue of Shares on Stock	5000	10000	15000
,, New Meters (not in place of old ones), including fixing	1000	1000	2000				
,, Cost of promoting Special Act	2500		2500				
Total Expenditure £	50500	16000	66500	Total Receipts £	50000	20000	70000
,, BALANCE of Cap. A/c			3500				
		£	70000			£	70000

Profit & Loss A/c. (Net Revenue) of the Hunslet Gas Co., Ltd.,

Dr. for the year ended 31st December, 1912. **Cr.**

	£	£		£	£
To Amount carried to Reserve Fund A/c. (if any) from Profits of 1911			By Balance of Net Profit brought from last Account (31st December, 1911)	1500	
,, Interest on Temporary Loans, and Moneys received in anticipation of Calls		200	*Less* Dividends paid for the half-year ended 31st December, 1911	1150	350
,, Ditto on Debenture Stock accrued to 31st December, 1912		350	,, Balance brought from Revenue A/c., being Profit for year to December, 1912		3950
,, Half-year's Dividend on First Preference Stock to 30th June, 1912, at 5%	375		,, Interest on Moneys deposited		
,, Ditto, Second Preference Stock to ditto, at 5½%	275				
,, Ditto, on Ordinary Stock at 10%	500	1150			
,, BALANCE of NET PROFIT to be carried to next Account, subject to half-year's Dividends to 31st December, 1912		2600			
		£4300			£4300

General Balance Sheet on 31st December, 1912.

Liabilities.	£	Assets.	£	£
CAPITAL A/c. :—Balance at credit thereof	3500	Cash at Bankers		2450
PROFIT & LOSS A/c. :—Balance at credit thereof	2600	Coals for Stock on hand, 31st December, 1912	700	
Reserved Fund :—Balance at credit thereof	2060	Coke & Breeze, 31st December, 1912	75	
Depreciation Fund (for works on leasehold lands) :—Balance at credit thereof	500	Tar and other products	100	
Unpaid Dividends		Sundry Stores	1200	2075
Interest accrued and unpaid on Mortgages, Bonds and Debenture Stock, and other Loans to 31st December, 1912	175	Gas and Meter Rental: balance of this Account due to the Company on 31st December, 1912, less deposits and prepayments	4750	
Sundry Tradesmen and others, for amount due for Coals, Stores, &c., to 31st December, 1912	4000	Gas Fittings (ditto)	600	
Wages and Sundries :—Amount due to 31st December, 1912	500	Coke and other residuals, 31st December, 1912	700	6050
		Rates, &c., paid in advance		200
		Investments, viz. :—Consols		2560
	£13335			£13335

Revenue Account of the Ripon Electric Lighting Co., Ltd.,

Dr. for the year ended 31st December, 1911. **Cr.**

	£	£		£	£
Generation :—			By Sale of Current to Private Consumers	9000	
To Fuel	1700		„ Public Lighting	1000	10000
„ Oil, Waste, Water and Engine Room Stores	300		„ Rental of Meters and other Apparatus on Consumers' Premises	195	
„ Salaries	150		„ Sale and Repairs of Lamps, Arc or Incandescent		
„ Wages	600		„ Sale and Repairs of other Apparatus	10	205
„ Repairs and Maintenance :			„ Test Fees		2
Buildings	15				
Engines	35				
Dynamos	27				
Other Machinery	20				
Accumulators	4				
Station Lighting	6	2857			
Distribution :—					
To Salaries	70				
„ Wages	100				
„ Repairs and Maintenance :—					
Apparatus on Consumers' Premises	15				
Mains	35	220			
Public Lamps :—					
To Attending and Repairs		3			
Rents, Rates and Taxes :—					
To Rents Payable	50				
„ Rates and Taxes	220	270			
Management Expenses :—					
To Directors' Remuneration	100				
„ Salaries	500				
„ Stationery and Printing	40				
„ General Establishment Charges	225				
„ Law Charges	12				
„ Insurances	2				
„ Audit Fees	20	899			
To BALANCE, being Net Profit		5958			
	£	10207		£	10207

Receipts and Expenditure on Capital A/c. of the Ripon Electric Lighting Co., Ltd.,

Dr. for the year ended 31st December, 1911. **Cr.**

	Amount expended to 31st December, 1910.	Amount expended this year.	Total.		Amount received to 31st December, 1910.	Amount received during year.	Total.
	£	£	£		£	£	£
To Expenditure to 31st December, 1910				By Ordinary Shares of £10	30000		30000
Expenditure since that date				„ Do. do. £		Nil.	
				„ Preference Shares of £10	25000		25000
To Lands, including Law Charges incidental to acquisition	6000		6000	„ Debenture Stock			
„ Buildings	7400	140	7540	„ Mortgages and Bonds			
„ Machinery	15000	100	15100	„ Amounts received in anticipation of Calls			
„ Accumulators at Generating and Distributing Stations	2000	65	2065	„ Sale of Patents or Patent Rights, &c.			
„ Mains, including cost of laying the Mains	10000	185	10185	„ Other Receipts (to be specified)			
„ Transformers, Motors, &c.	500	65	565				
„ Meters, and Fees for Certifying under the Act	1500	20	1520				
„ Electrical Instruments, &c.	150	10	160				
„ Office Furniture, &c.	50		50				
„ Tools	30	10	40				
„ Cost of Licence, Provisional Order, &c.	5000		5000				
„ Public Lamps		14	14				
Total Expenditure	47630	609	48239				
BALANCE of Capital A/c.			6761				
		£	55000	£	55000	Nil.	55000

Net Revenue A/c. of the Ripon Electric Lighting Co., Ltd.,

Dr. for the year ended 31st December, 1911. **Cr.**

	£		£	£
To Interest on Debentures accrued due to date		By Balance from last A/c.	6000	
,, Interest on Mortgages and Bonds accrued due to date		*Less* Dividend paid.....	3300	
,, Interest on Temporary Loans accrued due to date		,, Amount carried forward		2700
,, Dividend on Preference Stocks	1500	,, Balance brought from Revenue A/c.		5958
,, BALANCE applicable to Dividend on Ordinary Stock or Shares	7508	,, Interest on Money at Deposit		120
		,, Dividends.....		230
	£9008			£9008

General Balance Sheet on 31st December, 1911.

Liabilities.	£	Assets.	£	£
CAPITAL A/c. :—		CAPITAL A/c. :—		
Amount received	55000	Amount expended for Works		48239
Sundry Tradesmen and others, due on Construction of Plant and Machinery, Fuel, Stores, &c., to 31st December, 1911	1514	Stores on hand at 31st December, 1911 :—		
		Coal	95	
		Oils, Waste, &c.	50	
Sundry Creditors on open accounts	510	General	808	953
NET REVENUE A/c. :—Balance at Cr. thereof ...	9008			
Reserve Fund A/c. :—Balance at Cr. thereof		Sundry Debtors for amount paid on account of Contracts in course of completion		
Depreciation Fund A/c. :—Balance at Cr. thereof ...	7000	Preliminary Expenses		300
		Sundry Debtors for Current supplied to 31st December, 1911		1500
		Other Debtors		1097
		Investments		7000
		Cash at Bankers :—		
		Messrs. Lloyd's, Ltd.		7923
		Messrs.		
		Messrs. Lloyd's, Ltd. (amount on deposit) ...		6000
		Cash in hand		20
	£73032			£73032

Revenue Account of The Valley Waterworks Co., Ltd.,

Dr. for the year ended 31st December, 1912. **Cr.**

	£	£		£
To Office and Engineering Expenses :—			By Water Rents	14667
Salaries	600		„ Rents (General)	50
Printing & Stationery	50		„ Transfer Fees	20
Incidentals	37			
		687		
„ Expenses—Working and Maintaining :—				
Pumping Stations		1705		
Reservoirs		500		
Filters		150		
„ Repairs and Renewals of Mains		220		
„ Repairs and Renewals (General)		105		
„ Directors' Remuneration		400		
„ Auditors' Fees		50		
„ Rates and Taxes		2500		
„ Interest on Debenture Stock		1002		
„ Dividend on Preference Shares		1194		
„ Interest on Loan		50		
„ NET PROFIT *c/d.*		6174		
	£	14737	£	14737
To Interim Dividend paid November, 1912		3000	By Net Profit *b/d.*	6174
„ BALANCE *c/f.*		3174		
	£	6174	£	6174

Receipts and Expenditure on Capital A/c. of the Valley Waterworks Co., Ltd., for the year ended 31st December, 1912.

Dr. **Cr.**

	Expenditure to 31st December, 1911.	Expended during year.	Total Expenditure to 31st December, 1912.		Receipts to 31st December 1911.	Received during year.	Total Receipts to 31st December, 1912.
	£	£	£		£	£	£
To Parliamentary Expenses	2000		2000	By Debenture Stock	20000		20000
„ Purchase of Land and Houses	3000		3000	„ Preference Shares	20000		20000
„ Construction of Works	91830	10500	102330	„ Ordinary Shares	50000	10000	60000
„ New Mains and Service Pipes (not being in place of old ones), including cost of laying same	10975	945	11920	„ Premiums on Shares	15000	5000	20000
„ New Meters (not being in place of old ones), including cost of fixing	1000	50	1050				
Total Expenditure	108805	11495	120300	Total Receipts	105000	15000	120000
				By BALANCE			300
		£	120300			£	120300

General Balance Sheet on 31st December, 1912.

LIABILITIES.		ASSETS.	
BALANCE at Credit of Revenue A/c.	£3174	BALANCE at Debit of Capital A/c.	£300
Balance at Credit of Reserved Fund A/c.	258	Water Rates Accrued and Due	1242
Sundry Accounts due by the Company	1861	Sundry Accounts due to the Company	48
Interest Accrued and Unpaid on Debentures and Preference Shares—payable April, 1913	300	Stock on hand	340
Unpaid Dividends and Interest		Investments—Consols	250
		Cash at Bank	3413
	£5593		£5593

419. THE DOUBLE ACCOUNT SYSTEM is the method of accounting, generally adopted where the capital of a company is contributed for a *specific* purpose, partaking of a *permanent* character, such as the construction or acquisition of railways, tramways, canals, waterworks, or gas, electric light, telegraph, telephone, and colliery undertakings, &c. The amount actually paid for or in respect of the undertaking is shown as against the total capital raised, the balance only being brought into the *General Balance Sheet*. The Double A/c. System, which was first prescribed by the Regulation of Railways Act, 1868, does *not* vary from the Single A/c. System in its requirements as to the records of the current transactions, the *difference* of treatment being entirely concerned with the *compilation* of the **final accounts.** As most of the undertakings enumerated above are the subject either of statutory obligations or special Acts of Parliament, concerning the raising and expenditure of **capital,** it is necessary that the accounts should be so arranged as to show that the capital expenditure has been made in the manner and for the special purposes for which it was subscribed, and generally in accordance with the law.

420. The chief **differences** between the ordinary or *Single Account System* and the *Double Account System* are :—(*a*) In the preparation of the periodical statement of assets and liabilities. (*b*) In the treatment of depreciation and renewals. Instead of setting forth all the assets and liabilities in an ordinary B/S. as is usual in the Single Account System, two Statements are required in the Double Account System :—(**1**) **The Capital A/c.,** showing the *permanent*, *fixed*, or *capital* assets and liabilities ; that is, on the **Cr.** side the total amount of the capital and loans (inclusive of all premiums received in connection with the issue thereof) raised to purchase or construct the works of the company ; and on the **Dr.** side particulars of the amount expended in so purchasing, constructing or extending the undertaking. The *difference* between the two sides of this Capital A/c. is transferred to part (**2**) being the **General Balance Sheet,** showing the *floating*, *circulating* or *revenue* assets and liabilities.

421. It should also be noted that in the Double Account System the **Capital Expenditure** is stated at its *original* or *cost price*, at which it must remain, no re-valuation or adjustment of the assets shown in the Capital A/c. being permitted. Although no deduction may be made from the Capital A/c. in respect of the depreciation of capital assets, it is nevertheless usual to create a **Depreciation Fund A/c.,** by periodically appropriating a portion of the profits. This amount is, of course, debited against the Revenue, or P/L. A/c., to which is also charged all **Revenue expenditure** for wages (except those paid in making additions to the value of the capital assets), salaries, directors' fees, repairs, replacements, royalties, rents, taxes, interest, commission, printing, office expenses, bad debts and all current expenses. The sum of £144,725 being the value of the assets shown on the Dr. side of the Capital A/c. on page 459 would, in the *Single Account System*, be placed on the assets side of the B/S.; while the amount of subscribed Capital and Debentures would appear on the other side.

422. In almost every instance **Railway Companies** are incorporated by special Act of Parliament, and are subject to the provisions of the Acts of 1845, 1867, 1868, and the Railway Companies (Accounts and Returns) Act, 1911, which latter Act prescribes the statutory form of *yearly* accounts upon the Double A/c. System and requires the following :—*Part* 1.—No. 1. (*a*) Nominal Capital authorised and created by the Company. No. 1. (*b*) Nominal Capital authorised and created by the Company jointly with some other Company. No. 1. (*c*) Nominal Capital authorised and created by some other Company on which the Company either jointly or separately guarantees fixed dividends. No. 2. Share Capital and Stock created as per Statement No. 1. (*a*) showing the proportion issued. No. 3. Capital raised by Loans and Debenture Stock. No. 4. Receipts and Expenditure on Capital A/c. No. 4. (*a*) Subscriptions to other Companies. No. 5. Details of Capital Expenditure. No. 6. Estimate of further expenditure on Capital A/c. No. 7. Capital powers and other assets available to meet further expenditure on Capital A/c. No. 8.

Revenue Receipts and Expenditure of the whole undertaking. No. 9. Proposed appropriation of net income. No. 9. (*a*) Statement of Interim Dividends paid. No. 10. Receipts and Expenditure in respect of Railway working. No. 11. Receipts and Expenditure in respect of Motor Omnibuses and other passenger vehicles not running on the railway. No. 12. Receipts and Expenditure in respect of Steamboats. No. 13. Receipts and Expenditure in respect of Canals. No. 14. Receipts and Expenditure in respect of Docks, Harbours and Wharves. No. 15. Receipts and Expenditure in respect of Hotels and all Refreshment Rooms and Cars where catering is carried on by the Company. No. 16. Receipts and Expenditure in respect of other separate businesses carried on by the Company. No. 17. Electric Power and Light A/cs. No. 18. General Balance Sheet. *Part* 2 consists of Statistical Abstracts, and is followed by certificates of the responsible officers as to the upkeep of the whole of the Company's property. See pages 460-3.

423. With the exception of the few **Tramway undertakings** governed by the Acts just cited, there is no prescribed form in which such accounts are to be presented; although they are usually prepared on the Double A/c. System ; the permanent way, rolling stock and horses constituting the items of capital expenditure.

424. Gas undertakings are generally either owned by Companies, incorporated by special Act of Parliament, or by local authorities. Incorporated Companies are subject to the Companies Clauses Consolidation Act, 1845, and to numerous other Acts, which provide for the formation of Insurance and Reserved Funds, and for the introduction of a "Sliding Scale," under which shareholders are entitled to larger maximum dividends *pro ratâ* as the price of Gas is reduced below the "standard" price. The Gasworks Clauses Act, 1871, prescribes, in Schedule B, the form in which the *annual* accounts are to be presented, viz. :—(*a*) Statement of Share Capital ; (*b*) Statement of Loan Capital ; (*c*) Capital A/c. ; (*d*) Revenue A/c. ; (*e*) Profit & Loss A/c. (Net Revenue) ; (*f*) Reserved Fund A/c. ; (*g*) Statement of Coals ; (*h*) Statement of Residual Products ; (*i*) General B/S.

425. The **Reserved Fund A/c.** is built up out of profits that are available for distribution among the proprietors, but which it is deemed expedient to hold in reserve for the purpose of equalising dividends. The Insurance Fund, on the other hand, is built up out of charges made *against* profits, and like an ordinary Reserved Fund, is created to make good any loss that *may* arise in the future through some unforeseen contingency. The creation of an **Insurance Fund** is optional, and is limited to one-twentieth of the paid-up capital of the undertaking ; " capital " for this purpose including loan capital. Both the Reserved and the Insurance Funds should be represented by investments *outside* the business, and the interest received on such investments is credited to the respective funds which these investments represent. If the works are situate on *leasehold* land, the Company should from time to time place a proportion of the profits aside for the purpose of ultimately redeeming the forfeitable Capital expended thereon. This is done by a **Depreciation Fund A/c.** (really a Sinking Fund), which is built up by debiting Revenue and creating a Depreciation Fund A/c.

426. The only **expenditure** that can properly be **capitalised** is that necessarily involved in constructing and equipping the works, so as to make them capable of earning a revenue. After the works have been once so equipped all expenditure, whether in the nature of repairs or renewals, is chargeable against revenue ; but when, as sometimes occurs, a portion of the old works is rebuilt or enlarged, a proportionate part of the cost of reconstruction may properly be capitalised. The accounts have to be taken annually on the 31st December, and a copy must be filed with the prescribed local authority before the following 31st March. See pp. 464-6.

427. The statutes relating to **Electric Lighting** accounts are the Electric Lighting Acts, 1882 and 1888, together with the Board of Trade rules thereon. The Board of Trade have issued a special form of accounts based upon that required by Gas Companies—the electricity being sold by the unit instead of by the thousand

cubic feet. The following A/cs. are required :—(1) Statement of Share Capital ; (2) Statement of Loan Capital ; (3) Capital A/c. ; (4) Revenue A/c. ; (5) Net Revenue A/c. ; (6) Reserved Fund A/c. ; (7) Depreciation Fund A/c. ; (8) General Balance Sheet ; (9) Statement of Electricity Generated, Sold, &c. A copy of the annual accounts up to 31st December must be forwarded to the Board of Trade not later than the 31st March following. Note examples of Capital A/c., &c., on pages 467-9.

428. There is no general statutory form of accounts for **Water Undertakings,** but it is the general practice to assimilate the accounts of Water Companies, as near as may be, to the form laid down for Gas Companies.

Double A/c. System Exercise 1.

Convert the following Single-Account Balance Sheet into the form required for the Double-Account System, recording the fact that half of the B Shares were subscribed during the current year.

Balance Sheet of the Middleton Colliery Co., Ltd., on 30th June, 1909.

Liabilities.			Assets.		
Nominal or Registered Capital, viz. :			Lands		£5000
10000 A Shares of £10 each.....£100000			Sinking Shafts and Opening up Pits	£100000	
10000 B Shares of £10 each.....	100000	£200000	*Add* Extensions	12500	112500
Subscribed and Paid-up Capital, viz. :			Plant and Machinery above Surface ..	25000	
10000 A Shares of £10 each, £5 per share called up	£50000		*Add* Extensions	4500	29500
10000 B Shares of £10 each, fully paid	100000	£150000	Wagons	10000	
			Add Extensions	2500	12500
Debentures at 5%		50000	Office Buildings ...		2500
Reserve Fund		20000	Workmen's Cottages	7500	
Depreciation Fund		12000	*Add* Extensions	500	8000
Sundry Creditors, viz.:			Stock on hand		10000
On Bills Payable	5000		Consols at Cost ...		20000
On Open Accounts	5000	10000	Sundry Debtors ...		30000
			Cash at Bank and in hand		32000
Profit & Loss A/c.		20000			
		£262000			£262000

Double A/c. System Exercise 2.

Convert the following Single-Account Balance Sheet into the form required for the Double-Account System, recording the fact that half of the Debentures were subscribed during the year.

Balance Sheet of the Rapid Tramway Co., Ltd., on 30th June, 1910.

Liabilities.—Nominal or Registered Capital, viz. : 10000 Ordinary Shares of £10 each £100000, 10000 7½% Preference Shares of £10 each £100000, £200000. **Cr. Balances**: Subscribed and Paid-up Capital, viz. : 10000 Ordinary Shares of

£10 each, fully paid £100000 ; 10000 7½% Preference Shares, fully paid £100000; Debentures at 5% £100000 ; Reserve Fund £15000 ; Depreciation Fund £30000 ; Sundry Creditors £340 ; Interest due to Debenture holders £5000 ; Interest due to Preference Shareholders £7500 ; Interest due to Ordinary Shareholders £10000; Profit & Loss A/c. £20000 ; Total £387840. **Dr. Balances** :—Permanent Way and Overhead Electrical Equipment £150500, *Add* Extensions £20000, £170500 ; Electric Power Station, Plant and Car Depot £70000, *Add* Extensions £5000, £75000 ; Rolling Stock, &c. £20000, *Add* Extensions £600, £20600 ; Office Buildings, &c. £1000 ; Stores in hand, &c. £1020 ; L. & N. W. Railway Stock £15000 ; Cash in Bank £104572 ; Cash in hand £148 ; Total £387840.

Double A/c. System Exercise 3.

Prepare A/cs. of the West Riding Railway Co., for the half-year to 31st Dec., 1909. Ordy. Share Capital £2500000 ; Depreciation A/c. £100000 ; Reserve Fund (Invested in Consols) £250000; Goods Stations, value 30th June, £200000; Expenditure on new Goods Stations during half-year £27000 ; Mirfield to Bradley Extension, value 30th June, £190000 ; Expended during the half-year, £11000 ; Bridges, value 30th June, £85000, additions thereto £15000 ; Lines open for traffic £1100000 ; Sundry Debtors £90000 ; Cash in Bank £90000 ; Locomotives and Steamers £150000 ; Rolling Stock, General £350000 ; Stores in hand £20000 ; Office Buildings £30000 ; Wharves, value 30th June, £80000, Improvements thereto £20000 ; Due by Clearing House £3000 ; Stations, value 30th June, £130000, Extensions and Improvements thereto £20000. Cr. Balance of P. & L. A/c. £11000. **Answer.**—*Bal. of Cap. A/c.* £92000 ; *Total B/S.* £453000.

Double A/c. System Exercise 4.

The following is the Trial Balance of the North Riding Railway Co., Ltd., after the completion of the Revenue A/c. for the half-year ended 31st December, 1911.

Dr. Balances.		**Cr. Balances.**	
Lines open for traffic	£1278000	3½% Preference Stock	£450000
Lines in course of construction	7500	Ordinary Stock	750000
Working Stock, (Engines, Carriages, &c.)	195000	4% Debenture Stock	300000
Subscriptions to other Railways	75000	Premiums on Ordy. Stock	37500
Purchase of Grand Canal	7500	Debts due to other Companies	750
Cash at Bank	7500	Sundry Tradesmen, &c. ..	30000
General Stores, Stock on hand	10000	Fire Insurance Fund	2250
Traffic A/cs. due to Company	20000	Superannuation Fund ...	7500
Due from other Companies	1500	Balance to Credit of Net Revenue A/c.	30000
Sundry Outstanding A/cs.	6000		

During the half-year there was an issue of £15000 3½% Preference Stock, at par, which was fully subscribed and paid up ; also of £30000 Ordinary Stock fully subscribed and paid up at a premium of 5%. The Expenditure on Lines open for Traffic was £37500, on Lines in course of Construction £1500, and on Working Stock £7500. Prepare Capital A/c. and Balance Sheet.

Answer.—*Balance of Cap. A/c.* £25500 ; *Total B/S.* £70500.

Exercises numbered **149** and **156** further illustrate the Double A/c. System.

BANKRUPTCY.

429. A BANKRUPT, in popular language, is one who is unable to pay his debts in full, but *legally* one who has been *adjudged bankrupt* by the **Court,** and has handed over his estate and assets, to be realised for the payment of his liabilities. **Proceedings** may be commenced under **"The Bankruptcy Act, 1914,"** either by the debtor himself, or by a creditor or creditors whose debt or debts amount to at least £50, by presentation to the Court of a **Bankruptcy Petition,** which asks that a Receiving Order be made against the debtor for the protection of his estate. Where the Petition is filed by the *debtor*, the Court will make the Order forthwith, and, if the debtor desires it, **adjudication** (the act of the Court whereby the debtor is declared bankrupt and divested of his property) takes place at once. In the case of a *Creditor's Petition*, a copy of the same must be served on the debtor, and the Petition will not be heard by the Court until the expiration of 8 days from such service. If the Petition is filed by a *creditor* it must be founded on one of the **acts of bankruptcy** which renders the debtor *liable* to be adjudged a bankrupt. They are as follows :—(*a*) made an assignment of his property in trust for his creditors generally ; (*b*) made a fraudulent assignment of his property, or any part thereof ; (*c*) made a conveyance amounting to a "fraudulent preference" ; (*d*) having, with intent to defeat or delay his creditors, departed out of England, or being out remained out ; or absented himself ; or begun to keep house ; (*e*) suffered execution on his goods, after they have been either sold or held by the sheriff for 21 days ; (*f*) filed a declaration of his inability to pay his debts or presented a Bankruptcy Petition against himself ; (*g*) neglected to pay or secure a judgment debt after service of a "bankruptcy notice" ; (*h*) given notice to any creditor of suspension of payment.

430. To prevent an influx of paupers a £5 stamp is charged on Bankruptcy Petitions and a deposit of £5 is also required to cover preliminary expenses. The first

In the County Court of Yorkshire holden at Huddersfield. No. 969 of 1914.

IN BANKRUPTCY. Re *Thomas Robinson.*

STATEMENT OF AFFAIRS on 31st December, 1914.

Gross Liabilities.	LIABILITIES. (as stated and estimated by Debtor).		Expected to rank.
£2420	Unsecured Creditors as per List (A)		£2420
4352	Creditors fully secured, as per List (B)	£4352	
	Estimated value of securities	5872	
	Surplus	1520	
	Less amount thereof carried to sheet (C)	1500	
	Balance thereof to contra	20	
2450	Creditors partly secured, as per list (C)	2450	
	Less estimated value of securities	1800	
			650
127	Liabilities on Bills discounted other than Debtor's own acceptances for value, as per list (D), viz.:—On Accommodation Bill as Drawer, Acceptor, or Indorser	£ –	
	On other Bills as Drawer or Indorser	£127	
		£127	
	Of which it is expected will rank against the estate for dividend		Nil.
450	Contingent or other Liabilities as per list (E)	£450	
	Of which it is expected will rank against the estatef or dividend		250
150	Creditors for rent, &c., recoverable by distress as per list (F)	£150	
364	Creditors for rates, taxes, wages, &c., payable in full, as per list (G)	£364	
	Sheriff's charges payable under s. 11 of the Bankruptcy Act of 1890, estimated at	–	
		514	
	Deducted contra	454	60
	Surplus explained in Statement (K)		
£10313			£3380

ASSETS. (as stated and estimated by Debtor).			Estimated to produce
Property as per list (H), viz.:			
(a) Cash at Bankers			£12
(b) Cash in hand			35
(c) Cash deposited with Solicitor for Costs of Petition			–
(d) Stock-in-Trade	(cost £750)		400
(e) Machinery	(cost £300)		150
(f) Trade Fixtures, Fittings, Utensils, &c.	(cost £100)		50
(g) Farming Stock			–
(h) Growing Crops and Tenant Right			–
(i) Furniture			–
(j) Life Policies			–
(k) Other property, viz.:—Crystal Palace Shares	(cost £250)		225
Total as per list (H)			£872
Book Debts as per list (I), viz.:			
Good			76
Doubtful	£504		
Bad	377		
		£881	
Estimated to produce			175
Bills of exchange or other similar securities on hand as per list (J)		£135	
Estimated to produce			135
Surplus from securities in the hands of Creditors fully secured (per contra)			20
			£1278
Deduct Creditors for distrainable rent, and preferential rates, taxes, wages, sheriff's charges, etc. (per contra)			454
			£824
Deficiency explained in Statement (K)			2556
			£3380

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result of a Bankruptcy Petition is the making of a **Receiving Order** (**R.O.**) by the Court, whereby the **Official Receiver** (**O.R.**) is constituted *receiver* of the property of the debtor. This order does not divest the debtor of his property, but merely protects it by putting the O.R. in charge thereof, as well as stays proceedings by unsecured creditors. The Official Receiver is a Solicitor appointed by the Board of Trade to take charge of and distribute a bankrupt's estate during the liquidation of his business. As soon as the R.O. is made the debtor is bound to give the O.R. full information as to his financial affairs, and to make out a formal statement of his assets and liabilities for submission to the first meeting of creditors, which should be held within 14 days of the R.O.; when the debtor may propose that his insolvency should be terminated by a **Scheme of Composition,** thereby avoiding the disabilities of bankruptcy proper. If this proposal be not assented to, the Debtor must be adjudged Bankrupt. If it be assented to, by a majority in number representing *three-fourths in value* of all the creditors who have "proved," the assent is provisional. When the **Public Examination** (which consists of questioning the debtor as to his conduct, dealings and property) is concluded, the matter then goes before the Court for its approval. The Court, before sanctioning the scheme, hears the report of the O.R., and has to consider whether it is calculated to benefit the general body of creditors, and also whether the debtor's conduct has been such as to justify his escape from the consequences of bankruptcy. When the scheme is approved by the Court it is binding on any dissentient minority of creditors, the R.O. is rescinded, and the debtor is remitted to the full control over his affairs; but if the provisions of the scheme are not carried out, the debtor is still liable to be made bankrupt. Even after adjudication has taken place the debtor may propose a composition, and if sanctioned by the Court, the adjudication is annulled.

431. When it has been decided that a debtor's estate shall be administered in bankruptcy proper, the first

business of the creditors is to elect a **Trustee;** who cannot act, however, till he has received the Certificate of the Board of Trade, to whom he must give security for the due performance of his duties; which are to discover, realise and distribute the bankrupt's property, as quickly as possible, and obey the directions of the Committee of Inspection. In the interim the O.R. acts as trustee, in whom the whole of the property of the bankrupt (as well as any further property which he may acquire before he gets his discharge) vests. This rule does not apply to the debtor's personal earnings. The trustee, as a rule, exercises his functions under the guidance of a **Committee of Inspection,** appointed by the creditors, but if no such Committee be appointed, their duties (which are to watch and superintend the administration of the estate, and see that the bankrupt's affairs are liquidated in the best manner conducive to the general interest of the creditors) are performed by the Board of Trade. When the assets of the debtor have been realised, the Trustee, before applying to the Board of Trade for his **Release,** must give notice of his intention to do so, to all the creditors who have proved their debts, and to the debtor; and must send with such notice a summary of his receipts and payments, in accordance with the Form shown on page 482. This **Realisation Statement** is usually sent out with the notice declaring the final dividend.

432. As soon as the bankrupt's examination is concluded he may apply for his **Discharge.** Notice of this application must be given by the O.R. to every creditor who has proved his claim, except in summary cases to creditors under £2. At the hearing the Court receives from the O.R. a report on the debtor's conduct and the cause of his failure. The O.R., the Trustee, and any creditor who appears are entitled to be heard on the matter. If it appears that the debtor has been guilty of any conduct amounting to **misdemeanor** under part 2 of the **Debtors' Act, 1869,** the Court *must* ordinarily refuse his discharge. The debtor then can only escape from bankruptcy and its consequent civil disqualification by

THE BANKRUPTCY ACT, 1914.

In the County Court of Yorkshire, holden at Huddersfield. No. 969 of 1914.

IN BANKRUPTCY. *Re Thomas Brown.*

REALISATION STATEMENT, showing position of Estate at date of application for Release of Trustees and declaring final dividend.

	Estimated to produce per Debtor's statement.	Receipts.		Payments.
	£ s. d.	£ s. d.		£ s. d.
To total receipts from date of Receiving Order, viz. :—			By Board of Trade and Court Fees (including stamp of £5 on petition)	
Cash at Bankers			Law Costs of petition	
Deposit on Petition			Other Law Costs	
Property :—			Trustees' remuneration as fixed by the Committee of Inspection, viz. :—	
(*a*) Stock-in-Trade			per cent. on.....assets realised	
(b) Machinery, Fixtures, etc.			per cent. on....assets distributed in dividend	
(c) Farming Stock			Special Manager's Charges	
(d) Furniture			Persons appointed to assist Debtor under Section 70 of the B.A. of 1883	
(e) Other Property :—			Auctioneer's Charged as taxed	
Book Debts			Shorthand Writer as taxed	
Bills of Exchange			Costs of Possession	
Surplus from securities			Costs of notices in Gazette and local papers	
Other receipts :—			Incidental Outlay	
Total			Total Cost of Realisation £	
Less :—				
Deposit returned to Petitioner			Allowances to Debtors	
Payments to redeem securities			*Creditors, viz.* :—Rent	
Costs of Execution			Preferential	
Payments per Trading Account			Unsecured :—Final dividend now declared of.....in the £ on	
£			*The Debtor's estimate of amount expected to rank for dividend was*	
			Balance	
Net Realisation £			£	

payment of his debts in full, with costs and interest. If the debtor has not committed a misdemeanor, but has been guilty of **minor misconduct,** the Court has a discretion either to refuse the discharge, or to suspend it, or make it conditional. A common condition is to order judgment for a specified sum to be entered up against the debtor. There are 12 classes of facts involving *minor misconduct* which prevent the Court from granting an unconditional and immediate discharge; for instance, not keeping proper business books, trading with knowledge of insolvency, rash speculation, previous bankruptcy, fraud, or fraudulent breach of trust, or inability to pay 10/- in the £. It is a criminal offence for an **undischarged bankrupt** to engage in trade under a name other than that under which he was adjudicated bankrupt without disclosing the name under which he was made bankrupt, or to obtain credit to the extent of **£10** or upwards from any person without informing such person that he is an undischarged bankrupt. If the debtor's financial conduct has been blameless, he is entitled to an unconditional discharge. The **Order of Discharge** releases the debtor from all debts and liabilities provable in the bankruptcy, with the exception of certain crown debts and debts incurred through his personal fraud or fraudulent breach of trust, and claims arising out of seduction or divorce court proceedings.

433. Special provision is made for the more summary administration of **small estates** when the estimated **assets do not exceed £300.** In such cases the O.R. acts as trustee, unless superseded by the creditors, and discharges the duties of the Committee of Inspection. Only one meeting is required to approve a composition and when possible the estate is to be distributed in a single dividend. In the case of quasi-pauper debtors, whose total liabilities do not exceed £50, the County Courts are empowered to make what is called an **"Administration Order,"** under which the debtor pays his debts, either in full or in part, by specified instalments out of his earnings.

434. STATEMENT OF AFFAIRS. When a Receiving Order is made, the debtor must make out and

submit to the O.R. a statement of his affairs in the prescribed form, verified by affidavit, and showing detailed particulars of all his assets and liabilities ; and such further or other information as the O.R. may require. The Statement must be so submitted, if the Order is made on the petition of (*a*) the debtor, within *three* days ; (*b*) a creditor within *seven* days ; each from the date of the Order ; but the Court may, for special reasons, extend the time. The Statement must be made out, *in duplicate*, on the 13 printed forms or Sheets supplied by the O.R. If the debtor cannot himself prepare a proper Statement, the O.R. may, subject to prescribed conditions, and at the expense of the estate, employ someone to assist in its preparation.

435. An ordinary **Balance Sheet** contains a list of the assets and liabilities as shown in the books of a *working* concern, but in the B/S. to be prepared by a bankrupt in the form of a **Statement of Affairs,** provision must be made for a *loss on realisation of the assets*, while the values of the securities must be deducted from the amounts owing to secured or partly secured creditors. In other words an ordinary B/S. is a statement of the assets and liabilities of a *live concern* with earning capacity, whereas the B/S. required to be made out by a bankrupt is a statement of the assets and liabilities of a *dead concern* without earning capacity, consequently selling or market or break-up prices, only, must be stated, while all fictitious items, such as goodwill, must be omitted. Where the a/c. books of the debtor have been properly kept, no difficulty will be experienced in preparing the Statement ; but where the debtor has kept no books, or very defective records, then resort must be had to advices, letters, consignment and delivery notes, invoices, statements, receipts, cheques, counterfoils, bank pass books, and to questioning the debtor and his creditors. All books of a/c., also the cash and any B/E. must be delivered to the O.R. when the Statement is filed ; if the debtor has no books, a note to that effect should be made on the Deficiency A/c. The **Official Forms** used for the Statement

are lettered respectively from **A** to **L,** each one being labelled or headed, and containing full instructions as to the information required to be given thereon. In the case of a **Partnership,** whether ordinary or *Limited*, the *joint* statement will deal with the affairs of the *firm*, and the *separate* Statement will show the *private* or *individual* affairs of each partner. If any of the separate estates show a surplus it must be carried forward to the Statement of the firm, for division among the firm's creditors and *vice-versa*.

436. Creditors should immediately on receiving notice of the bankruptcy, make their claims against the estate, by filling up, being sworn, and forwarding to the O.R. the Form of Affidavit, known as **Proof of Debt,** which requires a 1/- bankruptcy stamp if the debt exceeds £2.

437. Form A. Unsecured Creditors, whose only claim is upon the *general* assets of the debtor, derived from the obligation, expressed or implied, into which every debtor enters, of paying his debts out of his property, as distinct from a *secured* creditor, who, in addition to this general claim, has a charge upon some part of the debtor's property. There must be entered on this form any unsecured overdraft at the bank, also the balances of Creditors for wages, &c., which exceed the limit allowed as a preferential payment. Where there is a **contra a/c.** against the creditor, *less* than the amount of his claim against the estate, it should be shown, and the *balance only* inserted under the heading *Amount of Debt*. "Trade" discount must always be deducted and only the net amount shown. The particulars of any B/E. and P/N. held by a creditor should be inserted below the name and address of such creditor. The date when each debt was contracted, as well as the consideration, is also required. Debts contracted more than six years previous to the date of the R.O. should not be inserted unless the debtor has within six years suffered judgment in respect thereof, or has kept a debt alive by a payment on account, or has given a written promise to pay. A Judgment holds good for twelve years from its date.

438. B. Creditors fully Secured. A Secured Creditor is one holding a mortgage, charge, or lien upon the property of a debtor, or any part thereof, as a security for a debt due to him from the debtor. The holder of a B/E. or P/N. is not a secured creditor, such documents being mere personal engagements to pay; nor is a mere Judgment Creditor thereby secured; but where the holder of a B/E. (accepted payable against delivery of Bills of Lading) also holds the B/L. he is a secured creditor. Where a creditor holds a security on a *third party* he may prove for his *whole debt* and then resort to his security in case of any deficiency, for he is not a person holding a charge upon the property of the debtor, but on the property of some other person, consequently his claim must appear on Form A. Form B must show particulars of the security, when given, estimated value, and estimated surplus, if any. A creditor in respect of furniture or machinery obtained under a **hire-purchase agreement** should be entered here as fully secured. It is assumed by the Court that the custom of hotel keepers hiring their furniture is so notorious as to negative the fact that it belongs to them. Therefore, such furniture, though in the bankrupt's order and disposition to be used or dealt with in the way of his trade or business, does not pass to the trustee, owing to the custom. Goods sent on *approval*, or on *sale* or *return*, in accordance with the custom of the trade, are not the property of the bankrupt, and the true owner can demand possession of them. The holder of an *absolute* **Bill of Sale** is secured so far as the chattels comprised therein are concerned. So, too, is the holder of a Bill of Sale for money advanced, which was registered *before* the Act of 1882 came into operation, but not since. If the Bill of Sale has been executed more than five years, it must, to make it secure, have been re-registered within five years. The *beneficiaries* under a *trust* are secured creditors where the trustee becomes bankrupt. A **banker** is a secured creditor, in respect of all securities in his possession, for the unpaid balance of the debtor's current a/c.; but not if the securities were merely deposited with him for safe custody. A **solicitor**

is also a secured creditor in respect of all title deeds or securities in his possession, whether deposited for safe custody or not.

439. C. Creditors partly secured. These creditors hold *some* security for their debts, but insufficient to cover the whole of the debt due from the bankrupt. The particulars required are similar to Sheet B, with the addition of a column headed *Balance of Debt unsecured* which balance will rank for dividend, on proof that the value of security has been properly assessed.

440. D. Liabilities of debtor on Bills Discounted other than his own Acceptances for value. Full details are required as to the bills negotiated by the debtor, although these should be paid by the acceptors ; but as the debtor is liable as drawer or endorser, the amount of any bill *expected to be dishonoured by the acceptor* must be inserted in the column "Expected to rank against Estate for dividend." Though the bankrupt is merely an accommodation acceptor, he is equally liable as an ordinary acceptor to pay any holder *except* the drawer. Bills of which the bankrupt is an ordinary acceptor should be included in Form A, and not in this form. The two kinds of bills to be included in this form are (1) bills and notes to which the bankrupt has made himself surety by drawing or endorsing ; (2) those which he had drawn, accepted, or endorsed, for the accommodation of some third person, he himself receiving nothing from the transaction. In the former case they are documents which the bankrupt has either paid away to some other person in the course of trade or has discounted. The total amount expected to rank against the estate for dividend will need treating as a loss when preparing the Deficiency A/c.

441. E. Contingent or other Liabilities record the debtor's liability as *surety* for others on Accommodation Bills, for unpaid shares, as well as in respect of uncompleted Contracts, Leases, &c. This is really another form for *unsecured* creditors, with the difference that form A is for ascertained and certain debts for which the debtor has received valuable consideration, and form E

is for uncertain debts and liabilities incurred without valuable consideration, or where though such existed, the debtor is jointly liable with some third party. The following are some of the cases in which form E should be used (1) Where the debtor is surety for another, he receiving no part of the sum advanced ; (2) Where he is *jointly* liable on a bill, of which he has received part of the proceeds ; (3) Where he has entered into a bond for the faithful performance of services by a third party, even though he may not expect to be called upon to pay the amount ; (4) Onerous covenants contained in a lease, such as for repairs or reinstating buildings ; (5) Liabilities connected with uncalled capital or shares ; (6) Penalties incurred by the debtor in respect of breaches of contract, as a builder under a building contract, for non-completion ; (7) Claims by debtor's wife for money lent to him for business purposes ; (8) Claims by " sleeping partners," viz., persons who, having advanced money to the debtor, have agreed to receive, by way of interest, a share of the profits of the business ; (9) Claims by retired partner in respect of capital left by him in debtor's business ; (10) Outstanding claims against a firm of which debtor is the remaining partner ; (11) Amounts remaining unpaid under a prior deed of composition ; (12) Claims for damages for breach of trust committed by debtor ; (13) Annuity for life contingent on the performance or non-performance of some act.

442. F. Creditors for Rent, &c., Recoverable by Distress. A landlord can only claim payment in full for *six months'* rent, unless a distress has been levied before the commencement of Bankruptcy. In any case the rent is only payable in full up to the amount of the Debtor's property on the premises in respect of which rent is claimed. A claim for rent of £100, in respect of premises where the realisable value of the Debtor's property is estimated to produce only £50, would be entered as £50 for payment in full, and £50 ranking for dividend. **Ground Rent,** due to a lessor, being a charge upon the property, is payable in *full*, regardless of the period covered by the arrears. If an execution has been

levied on the debtor's property, and the sheriff is in possession at the date of the R.O., his costs form the first charge on the property seized, and should therefore appear on this form.

443. G. Preferential Creditors for Rates, Taxes, and Wages. The order in which debts are payable is regulated by "*The Preferential payments in Bankruptcy Acts*, 1888 and 1897," which provide for the payment in full of rates and taxes, not exceeding **one year's** assessment; also the **wages** or salary of any *clerk* or *servant* in respect of services rendered to the bankrupt during *four months*, before the date of the R.O., not exceeding £50; also the **wages** of any *labourer* or *workman* in respect of services rendered during *two months* before the date of the R.O., not exceeding £25; any balance in excess of these limitations ranking for dividend. Municipal and Local Authorities sometimes have the power of distress for gas and water charges and would therefore be preferential creditors. The B.A., 1883, s. 125, provides for the payment in full of the funeral and testamentary expenses of a **deceased debtor;** and s. 41 makes the compensation for breach of agreement payable to an apprentice or articled clerk, preferential. By the Friendly Societies' Act, 1896, s. 35, trustees of a friendly society have, on the bankruptcy of an officer of the society, who as such officer has in his possession money or property of the society, a right to receive the same in preference to other claims against the estate. The full amount of **workmen's compensation** is preferential.

444. H. Property, which is interpreted as meaning money, goods, things in action, land and every description of property, whether real or personal, and whether situate in England or elsewhere; also obligations, easements and every description of estate, interest and profit present or future, vested or contingent arising out of or incident to property as above defined. The bankrupt is entitled to retain for his own use the tools of his trade, and the wearing apparel and bedding of himself, his wife, and children, to an amount not exceeding in value a total of £20. The headings given

in this sheet are repeated in the " Front Sheet " of the Statement. Particulars of Leases and reversionary interests would be shown here under " Other Property"; also the value of stocks and shares. The value of a **policy** on the life of a debtor, in his own name, must be shown ; but if in his wife's name or in the names of trustees, it should be omitted. If on the life of a third person, and held merely as security for a debt, it should be so stated in Form I or J, as the case may be, and not entered on Form H. Where the bankrupt owns a **Copyright** or any interest therein, and has to pay royalties or any share of profits to the author of the work to which it relates, the trustee must pay to the author the same royalties or share in profits ; and he may not assign the copyright without the consent of the author or the Court.

445. I. Debts due to the Estate, provides for a full list of all the book debts, giving three columns for classification as good, doubtful and bad. Where a debtor has a *contra a/c.*, the amount thereof should be deducted as on Form A and the *balance* only c/f.

446. J. Bills of Exchange, Promissory Notes, &c., available as Assets. This only requires details of those bills of which the debtor is *holder*, and are consequently handed over to the O.R. immediately on the R.O. being made.

447. K. Deficiency Account. This form is intended to show how the deficiency or estimated surplus (if any) as at the date of the R.O. is arrived at. It is practically the **Capital A/c.** of the bankrupt, with the sides reversed. Starting (where possible) from a date when the trader is solvent, this a/c. should gradually trace out in detail all the losses, expenses, and other causes bringing about his failure. The account should therefore commence with the excess of assets over liabilities, or *vice-versa*, at least 12 months (in the case of a company, three years) before the date of the R.O. or such other time as the O.R. may fix. The a/c. must then show the subsequent profits or losses from business or otherwise, all subsequent expenses other than

trade exs., *e.g.*, medical attendance, private drawings, household exs., value of goods withdrawn from the business for family consumption, damages and costs in law suits, bad and doubtful debts per Form I., losses by fire or storm, death of horses or cattle, depreciation in values, gambling or Stock Exchange losses, and any extraordinary payments for which the debtor has received no valuable consideration, such as losses through drawing or endorsing a B/E., dishonoured by the acceptor per Form D ; or by suretyship or the backing of Accommodation Bills. The balance of the a/c. should show the deficiency (or surplus, if so) as at the date of the R.O., and should agree with the balance shown upon the "Front Sheet."

K. Deficiency (or Surplus) Account.

Excess of Assets over Liabilities on the 31*st* day of *December*, 1913 (about) (if any)	£500	Excess of Liabilities over Assets on the day of 19 (if any)	
Net Profit (if any) arising from carrying on business from the 31*st* day of *December*, 1913, to date of R.O., after deducting usual Trade Expenses	505	Net Loss (if any) arising from the day of 19 to date of R.O., after deducting from profits the usual Trade Expenses ...	Nil.
Income or Profit from other sources (if any) since the day of 19		Bad Debts (if any) as per Schedule "I"	£706
		Expenses incurred since the 31st day of *December*, 1913, other than usual Trade Exs., viz.: Household Exs. of self, *wife, and four children*	900
Gifts from relations and others		Other Losses and Expenses (if any)—	
DEFICIENCY as per Statement of Affairs	2556	*Interest and Costs paid (about)*	50
		Betting Losses (about)	100
		Liabilities for which no consideration received—	
		Costs, Sykes v. Swift £538	
		„ *Johnson's judgment* . 15	
			553
		Interest added to Debts—	
		A. Brown's loan.....£150	
		E. Wilson's loan 252	
			402
		Illness—Dr. Jessop's claim	25
		Liability under lease for repairs.....	250
		Depreciation in value of Stock and Effects, or other property as estimated for realisation.....	575
		Surplus as per Statement of Affairs (if any)	
Total amount to be accounted for	£3561	Total amount accounted for	£3561

448. L. In substitution *for such of the Sheets named 'A' to 'J' as will have to be returned blank.* This sheet is used to avoid filing a number of forms, which would not be required in most small bankruptcies.

449. Front Sheet. The Statement of Affairs contained on some or all of the twelve lettered sheets is not complete until the totals of such sheets have been *transferred or carried forward* to what is known as the "Front Sheet"; which is really the **Summary** or **Balance Sheet** showing the debtor's position at a glance; and which must bear a 5/- bankruptcy stamp as a filing fee. The particulars of the assets are obtained from Forms H, I, and J, and the surplus (if any) from fully secured creditors per Form B. From the total of these must be deducted (1) The distrainable and preferential claims per Forms F and G, and (2) any sheriff's charges which may be payable under the B.A., 1890. The liabilities which are expected to rank against the estate are made up from Forms A, C, D, E, and the resulting balance, surplus, or deficiency should agree with the balance shown in Form K. Each sheet must be **signed** by the **debtor** and **verified** by **oath** or declaration; any **material omission** in the statement relating to his affairs rendering him liable to imprisonment, not exceeding two years. It will be noted that the principal difference between the preparation of a B/S. and a Statement of Affairs is in the classification of the liabilities under the heads of "Unsecured," "Fully Secured," "Partly Secured," and "Preferential" Creditors, the value of the securities being shown as a *deduction* and *not* among the assets. Where the securities are likely to realise more than the debt, the *difference* only comes under the head of the assets; from which is also deducted the total amount due to "Preferential" Crs.

450. In **partnerships,** the bankruptcy of one partner constitutes a dissolution of the partnership subject to any agreement between the partners. The *dissolution* dates from the act of bankruptcy, and the authority of the bankrupt to deal with the partnership assets is determined from that date. The accounts between the

trustee of the bankrupt person and the solvent partners are made up from the same date, except as to profits made by the solvent partners subsequent to the bankruptcy by employment of the capital existing at the date of the bankruptcy, of which the trustee is entitled to an account. The **trustee** in bankruptcy does not become a co-partner with the solvent partners, and although he is in strictness entitled to put a person in possession of the whole of the property of the firm it is seldom done, as the solvent partners, either by consent, or through the intervention of the Court, make arrangements for securing to the trustee payment of the bankrupt's share in the assets of the firm. Where any one partner remains solvent, and in a position to be entitled to deal with the partnership estate, there will be no distribution of the partnership assets in bankruptcy, but in all other cases, partnership assets, to the extent of the interest of the bankrupt, will be administered, as well as his separate estate ; and wherever there is administration of the partnership assets the administration of the joint and separate estates will be kept distinct.

451. Joint Creditors must first be paid out of the partnership or *Joint Estate,* and the **separate** creditors out of the *Separate* Estate of each partner ; and if there be a **surplus** of the Joint Estate besides what will pay the joint creditors, the same is applied to pay the separate creditors. If there be, on the other hand, a surplus of the Separate Estates beyond what will satisfy the separate creditors, it is applied towards the deficiency that may remain as to the Joint creditors, but such creditors are not entitled to more than the full amount of their debts, together with 4% per annum interest from the date of the R.O. Where a person is **partner** in **several firms,** all of which become bankrupt, the surplus of his Separate Estate will be distributed amongst the several Joint Estates in proportion to their liabilities.

452. With the view of avoiding the publicity associated with bankruptcy proceedings, and the legal disabilities arising therefrom, **insolvent debtors** frequently make **arrangements** with their **creditors,**

whereby the latter accept either (**1**) an assignment of the debtor's property ; (**2**) a stated composition ; or (**3**) payment in full by instalments in discharge of their respective debts, either absolutely or upon certain conditions. Such arrangements are generally embodied in a document known as a **Deed of Arrangement,** which, according to the Act of 1887, includes any of the following instruments, whether under seal or not, made by, for, or in respect of the affairs of a debtor for the benefit of his creditors generally, or with certain creditors professing to act on behalf of themselves and all the other creditors privately. (**a**) An Assignment of property ; (**b**) a Deed of or Agreement for Composition ; (**c**) a Deed or Inspectorship entered into for the purpose of carrying on, or winding up, a business ; (**d**) a Letter of Licence, authorising the debtor or any other person to manage, carry on, realise or dispose of the debtor's business with a view to the payment of his debts ; (**e**) any agreement or instrument entered into for the purpose of carrying on, or winding up, a debtor's business or authorising the debtor or any other person to manage, carry on, realise or dispose of the debtor's business with a view to the payment of his debts ; (**f**) any instrument for the benefit of any three or more creditors, in like manner as if such instrument had been made by, for, or in respect of the affairs of the debtor for the benefit of his creditors generally. All such Deeds must be registered with the Registrar of Bills of Sale within seven clear days after the first execution thereof by the debtor or any creditor. The Trustees under Deeds of Arrangement must transmit periodical statements of account to the Board of Trade not later than the 30th of January in each year.

453. The most common form of **Deed of Arrangement** is one whereby the debtor **transfers** all his **property to** a **trustee** for the benefit of the creditors generally, in consideration of their releasing him from the debts he owes to them ; the trustee under the deed being directed to realise the estate and to distribute the product among the creditors *pro rata* according to their claims. The deed is usually made between the debtor,

one or more creditors, and a trustee for the latter, the trustee appointed usually being an accountant. A Deed of Arrangement is void unless, before or within **21 days** after the registration thereof, or within such extended time as the Court may allow, it has received the assent of a majority in number and value of the creditors of the debtor. The List of Creditors annexed to the affidavit of the debtor filed on the registration of the Deed is *prima facie* evidence of the names of the creditors and the amounts of their claims ; and the creditor's assent is shown by his either executing the Deed, or by his sending to the Trustee his assent in writing, attested by a witness. In calculating the **majority** of creditors for the purpose of assent, a secured creditor is to be reckoned as a creditor only in respect of the balance due after deducting the value of his security, and creditors for less than £10 are to be reckoned in the majority in number, but not in the majority in value. If the requisite majority is obtained the Trustee, within 28 days of registration, files with the Registrar of Bills of Sale a statutory declaration to this effect, and once this is done, any person can safely purchase the debtor's assets from the Trustee. If the requisite consent is not obtained, the Deed is **void** and the Trustee incurs a heavy fine if he continues to act under it, unless he can satisfy the Court that his action was due to misadventure, or was necessary for the protection of the estate. It is the duty of the Trustee, at intervals of six months during his conduct of the administration until the estate is finally wound up, to send to each creditor who has assented to the Deed a **Statement** of **Accounts,** and of all his proceedings under the Deed brought up to date. When the Trustee transmits to the Board of Trade the annual accounts verified by affidavit, he must state whether he has complied with the above provision, and give the dates on which the accounts were sent to the creditors.

Bankruptcy Exercise 1.

Prepare Statement of Affairs and Deficiency A/c. of Coon & Co., a firm of shippers, who filed their petition on 31st Dec., 1906. Their books showed that they owed £40100, of which

creditors amounting to £6500 held stock of the estimated value of £7500, others amounting to £29000 held stock of the estimated value of £15000 and a mortgage on the property at Calcutta valued at £13000, and £100 was for rent of warehouse. Bills had been discounted amounting to £3500, in respect of which it was estimated the firm would be liable for £500. The assets consisted of Good Book Debts, £1500; Doubtful £600, estimated to produce £300; and Bad, £700; Furniture and Fittings, £300, estimated to realise £150; Cash at Bankers, £50, B/R., £350; Stock, £1600, estimated to produce £1200. The firm commenced business on 1st Jan., 1902, with a capital of £25000. After *charging* £1000 a year for int. upon cap., and £1300 a year for partners' salaries (which were credited to the Capital A/c. and *not* withdrawn), they made a profit in the first year of £2700, but in the succeeding four years losses were incurred of £2500, £3200, £4500, and £6000 respectively, while they drew out cash at the rate of £1200 a year. The property at Calcutta cost £22000, and the stock mortgaged was subjected to a discount of 25%.

Answer.—*Deficiency* £1550.

Bankruptcy Exercise 2.

On 1st January, 1902, three gentlemen bought a Calico Printing Business for £400000. On 31st December, 1906, they were compelled to stop payment, their *Assets* being :—

Land, Buildings, and Machinery, &c.	£300000
Which were estimated to realise	100000
Sundry Investments £110000; Estimated to realise ..	26500
Trade Marks £25000; Estimated to be of no value.	
Cash in hand £1200; Bills Receivable	2000
Stocks and Consignments, less Advances.....	175000
Estimated to produce, £125000.	
Debtors :—Good £50000; Bad	18800
Doubtful £50000; Estimated to realise ...	10000
Liabilities :—Salaries and Wages unpaid	5000
Bills Discounted £50000; liability expected thereon...	15000
Sundry Creditors (including the Bank £125000)	355500
Of which £70000 held the security of the Land, Buildings, Machinery, &c., and £30000 held a charge over the whole of the Investments.	

Prepare Statement of Affairs and Deficiency A/c. Their trading was carried on at losses of £10000, £25000, £24000, £18000 and £29000 respectively each year, after charging the P. & L. A/c. with their own salaries of £3000 a year each, £20000 a year for Depreciation of Buildings and Machinery, and £20000 a year for Int. on Cap. They also *drew out* £1500 a year each in addition to their salaries.

Answer.—*Deficiency* £60800.

Bankruptcy Exercise 3.

Green & Smart are in partnership as drapers, and find they are unable to meet their liabilities. Prepare Statement of Affairs.

Trade Creditors £3000; Cash Creditors :—Mrs. Green £500; Miss Smart £300.

(It is expected that Mrs. Green will not press her claim.)

James Jones, secured by Mortgage on premises, the estimated value of which is £1250 ..... £1000

Creditors :—Wages £50; Rent and Taxes £30; Rent (distrainable) 100

Assets (in addition to property mortgaged to Jones) :—

Cash 20

Sundry Debtors :—Good £600; Bad £200.

Doubtful £300, estimated to produce 100

Stock £1000, estimated to produce 700

Fixtures & Fittings £300, estimated to produce 150

Answer.—*Deficiency* £1660.

Bankruptcy Exercise 4.

William Roberts and Henry Pollard carry on business together as Cloth Merchants. Being insolvent they file their petition.

Assets of Firm.	Valued at.	Estimated to produce.
Fixtures & Fittings	£400	£200
Stock-in-Trade	6000	4500
Sundry Debtors :—Good		1200
Doubtful 300		100
Bad 300		nil.
Bills Receivable	500	400

Bradford Mills Co., Ltd., 50 £5 Shares fully paid, quoted on the Exchange at $3\frac{3}{4}$—$4\frac{1}{4}$.

Freehold Property, valued at £3250. Cash in hand £12. Unsecured Creditors, £8000; Mortgage on Freehold Property, £3000; Charles Dean for Loan, £1000, for which he holds the Bradford Mills Co.'s Shares as security; Liability on bills discounted (none of which are expected to rank), £200; Landlord for distrainable rent, £50; Creditors for Rates, Taxes, Wages, &c., £320, payable in full.

The *separate estate* of William Roberts showed a surplus of £200, whilst that of Henry Pollard showed a deficiency of £500. Prepare a joint Statement of Affairs of Roberts and Pollard.

Answer.—*Deficiency* £2308.

Bankruptcy Exercise 5.

On 31st December, 1911, Bill Bailey is unable to meet his engagements. His Liabilities are :—Underbank Banking Co., Ltd., £1200 (as security for which they hold £1500 Debenture Stock of the Berkshire Railway Co.); Unsecured Creditors £40000; his Father £3000 (who holds a Mortgage on the Premises); Wages £100; Chief Rent (half-year) £15; Bills Discounted £500 (one-half of which will probably rank against the estate). His Assets are :—Buildings, of the value of £2000; Machinery, of the value of £1500; Fixtures, &c., of the value of £200; Debenture Stock of the Berkshire Railway Co., value £1500; Stock, estimated to realise £1500; Book Debts, Good £1000; Book Debts Doubtful £200 (estimated to realise £100); Book Debts, Bad

£150; Cash £15. Prepare the Statement for submission to his Creditors.

Answer.—*Deficiency* £750.

Bankruptcy Exercise 6.

Prepare a Statement of Affairs of Henry Swank from the following particulars at 31st March, 1912 :—

Freehold Land & Buildings	£5000,	Estimated to produce		£4500
Book Debts—Good	1000			
Doubtful ...	300	do.	do.	100
Bad	500	do.	do.	nil
Stock-in-Trade	1500	do.	do.	1000
Plant & Machinery	1200	do.	do.	600
Cash in hand.....	25			
HouseholdFurniture&Effects	300	do.	do.	180

Mortgage on the above Freehold Land & Buildings, £3500, at 5%. The Interest was paid to 31st December, 1911.

Trade Creditors, unsecured £2500; Cash Crs., unsecured, £1000.

Bank Overdraft £1000, the Bank holding, as security, a policy for £2000, payable at death, premium £50 per annum, surrender value 31st March, 1912, £600; Preferential Creditors for Rent, Rates, Taxes & Wages, £300.

Answer.—*Deficiency* £338 15.

Bankruptcy Exercise 7.

On 31st December, 1912, the firm of Long & Short suspend payment, and you are supplied with the following particulars from which to prepare a Statement of Affairs and a Deficiency A/c.

Liabilities.	£	**Assets.**	£
Sundry Trade Creditors	2820	Land & Buildings	7200
Sundry Cash Creditors	1000	Stock-in-Trade	1050
Loans on Mortgage ...	5000	Sundry Debtors.....	820
Capital :—		Trade Fixtures	50
Long, 1st Jan., 1912 £820		Machinery & Plant ...	560
Less Net Loss .. 400	420	Cash in hand	35
Short, 1st Jan., 1912 675			
Less Net Loss .. 200	475		
	£9715		£9715

The partners' drawings have each been at the rate of £250 per annum and have been paid in cash and charged as a working expense. The assets have to be depreciated as follows :—Land & Buildings, 25%; Stock-in-Trade, 15%; Machinery, 10%. The Book Debts represent Good £400, Doubtful £300, and Bad £120. Value the Good Debts at 10% off, the Doubtful at half their nominal amount, and the Bad at nil. The partners have no separate liabilities, and Short alone has assets represented by Household Furniture, £50. **Answer.**—*Deficiency* £1378 10.

Exercises numbered **121, 122, 123, 130, 137, 161, 162, 163,** further illustrate Bankruptcy matters.

ROYALTY ACCOUNTS.

454. A **Royalty** is a payment made by one person to another in return for some privilege or concession ; as, for instance, (**1**) the payment made by a manufacturer to the inventor for the use or sale of a patent, (**2**) the percentage of profits or amount per copy paid by the publisher to the author for the privilege of publishing his works ; or (**3**) the payment of a colliery proprietor (*the lessee*) to his landlord (*the lessor*) for every ton or acre of coal and other minerals extracted. It will be noticed that the amount of royalty will vary according to the sale or production.

455. A Minimum or **Dead Rent** is that annual sum payable by a person, who has taken a lease of a mine, to his landlord, irrespective of whether the quantity of minerals raised during that period justifies it or not ; in fact, as its name implies, such rent would be payable if the mine were not worked at all. Minimum rent is variously called *fixed* rent, *certain* rent, *head* rent, and *sleeping* rent. The **Royalty Rent** is that which fixes the *maximum*, as compared with the *minimum*, and is sometimes called *Tentail* or *Acreage Rent*.

456. Short Workings or **Redeemable Dead Rents** occur where the **Royalty Rent** for a given year does *not* reach the amount payable for Minimum Rent. In Leases of mines it is usual to fix the Royalties at so much per ton or acre, but in order that the *landlord*, known as the *lessor*, shall not be deprived of a reasonable income from such properties, a Minimum Rent is agreed upon, which the *lessee* is bound to pay to the *lessor*, regardless of whether any minerals are extracted or not. Suppose a case where the Minimum Rent is £500 per annum, and the *maximum* or **Royalty Rent** on the output for a given year is £550, this latter amount or £50 *excess* of Minimum Rent, would be payable to the landlord or *lessor* ; but should the Royalty Rent of the output have only reached £450, the Minimum Rent of £500 would still be payable, and the *difference* of £50

would be called the *Short Working*. A lessee is generally allowed to recoup himself in respect of *Short Workings* out of *future* Royalties which may be in excess of the Minimum Rent. Where this provision exists, and where also, by reason of the length of the lease and all other circumstances, the lessee will be able to avail himself of such a power, the value of *Short Workings* may be treated in the accounts and B/S. as a temporary asset. Although the average clause in the Lease confers the right to recoup *Short Workings* out of future *Over Workings*, it does not permit of the application of the *Over Workings* of *past years* towards subsequent *Short Workings*, because of the minimum or dead rent clause.

457. Income Tax, at the highest rate, should always be deducted by the lessee on the payment of Mineral Royalties to the lessor, as the lessee is accountable to the Revenue for the tax on the Royalty-owner's income in pursuance of the principle whereby the authorities collect tax upon income at the source, wherever possible.

458. When the Minimum Rent, for a given period, *exceeds* the Royalty Rent, debit the *Royalties A/c.* with the Royalties earned, debit the *Redeemable Dead Rent A/c.* with the *difference* between the Royalties earned and the Minimum Rent, and credit the *Landlord's A/c.* with the *total* Minimum Rent for the period. When the Royalty Rent *exceeds* the Minimum Rent debit *Royalties A/c.* and credit *Landlord's A/c.* with the total, but should there be Redeemable Dead Rent outstanding, then credit *Dead Rent A/c.* with the *difference* between the Minimum Rent and Royalty Rent, and credit the Landlord's A/c. with the Minimum Rent only. The following transactions, journalised and posted on the next two pages, illustrate the manner of dealing with *Short Workings.*

Example. A Colliery is worked under a forty years' lease, granted by the Duke of Leeds, at a Royalty at 1/- a ton, with a Minimum yearly rent of £1500, with power to recoup Short Workings. In the first year 24000 tons are worked; in the second 25000; in the third 26800; in the fourth 32000; and in the fifth 34500.

Journal of Colliery Co.

		Dr.	Cr.
(1)	Royalties A/c. .....Dr.	£1200	
	Redeemable Dead Rent A/c. ..... „	300	
	To Duke of Leeds (Landlord)		£1500
(2)	Royalties A/c. .....Dr.	1250	
	Redeemable Dead Rent A/c. ..... „	250	
	To Duke of Leeds (Landlord)		1500
(3)	Royalties A/c. .....Dr.	1340	
	Redeemable Dead Rent A/c. ..... „	160	
	To Duke of Leeds (Landlord)		1500
(4)	Royalties A/c. .....Dr.	1600	
	To Redeemable Dead Rent A/c. ...		100
	„ Duke of Leeds (Landlord)		1500
(5)	Royalties A/c. .....Dr.	1725	
	To Redeemable Dead Rent A/c. ...		225
	„ Duke of Leeds (Landlord)		1500

The debit on **Royalties A/c.** requires to be transferred annually to the *Trading A/c.* and the credit on **Landlord's** or **Lessor's A/c.** would either be closed by Cash payments or appear in the B/S. as a liability. The debit on **Redeemable Dead Rents A/c.** (£300 first year, £550 second year, £710 third year, £610 fourth year, £385 fifth year) would appear in the respective Balance Sheets as an asset.

Dr. **Royalties A/c.** **Cr.**

		£			£
1908			1908		
Dec. 31	To Landlord....	1200	Dec. 31	*By Trading A/c.*	1200
1909			1909		
Dec. 31	To Landlord....	1250	Dec. 31	*By Trading A/c.*	1250
1910			1910		
Dec. 31	To Landlord....	1340	Dec. 31	*By Trading A/c.*	1340
1911			1911		
Dec. 31	To Dead Rent ..	100	Dec. 31	*By Trading A/c.*	1600
„ 31	„ Landlord....	1500			
		£1600			£1600
1912			1912		
Dec. 31	To Dead Rent ..	225	Dec. 31	*By Trading A/c.*	1725
„ 31	„ Landlord....	1500			
		£1725			£1725

Redeemable Dead Rent or Short Workings A/c.

Dr.					Cr.
1908		£	1908		£
Dec. 31	To Landlord....	300	Dec. 31	*By Balance ..c/d*	300
1909			1909		
Jan. 1	To Balance..b/d	300	Dec. 31	*By Balance ..c/d*	550
Dec. 31	„ Landlord....	250			
		£ 550			£ 550
1910			1910		
Jan. 1	To Balance..b/d	550	Dec. 31	*By Balance ..c/d*	710
Dec. 31	„ Landlord....	160			
		£ 710			£ 710
1911			1911		
Jan. 1	To Balance..b/d	710	Dec. 31	By Royalties ...	100
			„ 31	„ *Balance ..c/d*	610
		£ 710			£ 710
1912			1912		
Jan. 1	To Balance..b/d	610	Dec. 31	By Royalties ...	225
			„ 31	„ *Balance ..c/f*	385
		£ 610			£ 610

Dr. Duke of Leeds (Landlord's A/c.) Cr.

1908		£	1908		£
Dec. 31	To Cash	1500	Dec. 31	By Royalties ..	1200
			„ 31	„ Dead Rent .	300
		£ 1500			£ 1500
1909			1909		
Dec. 31	To Cash	1500	Dec. 31	By Royalties ..	1250
			„ 31	„ Dead Rent..	250
		£ 1500			£ 1500
1910			1910		
Dec. 31	To Cash	1500	Dec. 31	By Royalties ..	1340
			„ 31	„ Dead Rent..	160
		£ 1500			£ 1500
1911			1911		
Dec. 31	To Cash	1500	Dec. 31	By Royalties ..	1500
1912			1912		
Dec. 31	To Cash	1500	Dec. 31	By Royalties ..	1500

Royalties Exercise 1.

The Altofts Colliery Company are lessees of a mine at a dead rent of £2000 per annum, merging into a royalty of eightpence per ton. Dead rent paid in excess of actual royalties is recoverable thereout during the next five years succeeding the year in respect of which such excess was paid. The first year in respect of which the dead rent was payable expired on the 31st December, 1908. The excess paid in respect of the first year was £2000 ; of the second year, £1450 ; and of the third year, £350. In the fourth year the actual royalties amounted to £2750 ; in the fifth year to £3250 ; in the sixth year to £3600 ; and in the seventh year (in consequence of a strike) to £1850 only. Set out for the seven years the Nominal Ledger A/c. of "Royalties" in respect of this lease, carrying forward each year as an asset any excess of dead rents paid recoverable in subsequent years, and showing on this basis the amounts charged each year to trading in respect of royalties.

Royalties Exercise 2.

The Barnsley Colliery Company are lessees of a mine at a dead rent of £2000 per annum, merging into a royalty of eightpence per ton. Dead rent paid in excess of actual royalties is recoverable thereout during the next five years succeeding the year in respect of which such excess was paid. The excess paid in respect of the first year was £2000 ; of the second year £1450 ; of the third year, £350. In the fourth year the actual royalties amounted to £2750 ; in the fifth year to £3250 ; in the sixth year to £3600 ; in the seventh year (in consequence of a strike) to £1850 only. Show Journal entries recording these transactions in the books of the Colliery.

Royalties Exercise 3.

The Consett Colliery Company took a lease of a mine for a period of twenty years, from 1st January, 1907, upon the terms of a royalty of sixpence per ton upon the output with a minimum rent of £200 per annum, and with power to recoup short workings over the first four years of the lease. The annual outputs for the five years following the granting of the lease were as follows :—1907, 5000 tons ; 1908, 8000 tons ; 1909, 10000 tons ; 1910, 10000 tons ; 1911, 12000 tons. Prepare Journal, post and complete the necessary A/cs. in the Colliery Books.

Exercises numbered **135, 139, 154, 158,** further illustrate dealings with Royalties.

COST ACCOUNTS.

459. COST A/CS., which chiefly concern productive or manufacturing businesses, provide a method of ascertaining the cost of the production of an article or the result of a contract. It is necessary, for the successful working of any concern, that the proprietor should be kept constantly informed as to the cost of manufacture in all its details, so that he may fix the **Selling Price** at such figure as will produce an adequate profit. Cost Accounts have been defined as systematic, and, as far as possible, exact records of those transactions which relate to manufacturing, with the view of arriving at an approximate accurate representation of the cost, both direct and indirect, of the output of a factory or shop. Lines of organisation rather than similarity of products, provide the clearest basis for a system of Cost A/cs. It follows, therefore, that all industries or undertakings may be classified according to their lines of organisation. By this means it is possible to treat separately the special problems and requirements of each group, and to indicate the methods which are separately applicable to any particular organisation of business.

460. Cost A/cs. have been **grouped** as follows :—(1) **Departmental Costs**—For finding the cost of working each department of a factory. (2) **Multiple Costs**—Applicable to undertakings where a number of products are involved bearing little or no apparent relation to each other in cost or selling price, such as Engineering Specialities, Cycles, Hosiery, Boots, Furniture, Agricultural Implements, in which standardisation in parts is carried to a high degree of specialisation in manufacturing. (3) **Terminal** or **Contract Costs**—Applicable to undertakings where definite contracts are entered into in which the costing is definite and terminating, such as Contractors, Engineers, Shipbuilders and the like. (4) **Single** or **Output Costs**—Applicable to Breweries, Collieries, Quarries, Mines, and businesses in which there is a natural unit of costs, as the barrel of liquor brewed, or

the ton of minerals raised, &c. (5) **Process Costs**—Applicable to Chemical Industries. Food Products, &c., in which conversion of material takes place, and there are principal and by-products, such as Tanners, Fellmongers, where it is advisable to ascertain the cost of each stage in the process of manufacture. (6) **Operating** or **Working Costs**—As Railways, Tramways, Gas and Water Undertakings, Electricity, and similar industries.

461. It must be noted that Cost A/cs. alone deal with the **practical administration** of the factory or shop, and are therefore quite distinct from the ordinary a/cs. dealing with the purely financial affairs of the concern. Although affected by, they are independent of, the commercial records of the purchases, and while they are closely associated with the sale prices, the record of the sales is not in any way connected with them. The principal **difference** between Cost A/cs. and Commercial A/cs. is that while the former endeavour to arrive at the net result of manufacturing by *analysis*, through the medium of a series of small Trading or P. & L. A/cs. the Commercial A/cs. aim at grouping together in the general Trading and P. & L. A/cs., the result, not of each item of work, but of each class of expenditure. It is essential in any costing system that the Cost Books should fit in with the commercial books sufficiently to permit of comparison and the checking of results, so that a further aid in the discovery of errors is obtained. But no entry in the General Commercial Books should be posted to the Cost Ledger, and no entry in the Cost Books should be posted into the General or Commercial Books.

462. The **cost** of a piece of work refers to the total cost and consists of the outlay in (1) Material, (2) Labour and (3) On-cost or Fixed Charges, all of which must be reckoned before any profit can be earned. **Prime** or **flat** or **first cost** consists of (**1**) **Material,** (**2**) **Labour,** (**3**) **Direct expenses,** or establishment or departmental charges connected with production and motive power, including (*a*) Wages of Superintendents, Foremen, Cleaners, &c.; (*b*) Royalties, Wayleaves and Patent

Fees ; (*c*) Rent, Rates and Taxes and Insurance, Lighting and Heating, and Depreciation and Upkeep of Plant, and Factory Buildings. In the **Total Cost** there must be included (**4**) **Indirect** Charges, **overhead,** or **fixed** or **On-cost,** being Expenses of Selling, Distribution and Administration, including upkeep of Offices and Warehouse, Travellers' Salaries, Commissions and Expenses, Salaries, &c., of Directors, Officers and Managers, Interest and Financing Expenses, Bad Debt Allowance, &c. The *total* of Prime Cost and On-cost is **Total Cost,** Gross Cost or Cost of Production.

463. The **Selling Price** is therefore the sum of (1) Material (2) Labour (3) Direct Expenses (4) Indirect Expenses (5) **Profit.** There are two essentially different classes of Cost A/cs. The system adopted by contractors, engineers, builders, printers, &c., is in effect to keep a separate a/c. of each contract, so that the profit or loss of that particular contract may be readily ascertained, the accuracy of the Cost A/cs. as a whole being tested periodically by a comparison of the aggregate results with the general P. & L. A/c. The keeping of these a/cs., of course, involves a very careful detailed analysis of every item of expenditure. This should be done in the **Cost Book** or **Cost Ledger,** which is specially ruled for the purpose, while the ordinary proprietary a/cs. of the business are kept in the Impersonal Ledger in precisely the same manner as though no Cost A/cs. were in operation.

464. In the case of **collieries, ironworks,** &c., which practically only deal in one class of goods, extended over an indefinite period, the Cost A/c. is in effect nothing more than a Trading A/c. for a very short period, either a week, fortnight, or a month ; its object being to ascertain how the cost of producing a commodity dealt in compares with its market price, both items being necessarily of a fluctuating character. The methods of keeping Cost A/cs. vary, of course, with each class of business, and while these a/cs. are not very difficult in some small concerns, in others they are of a very difficult and elaborate character ; requiring great skill in

their manipulation. The principal difficulty in costing is in devising a suitable system, which, in the first place, should be fairly simple, relying on experience to indicate any improvements or extensions. It is advisable to have **printed forms** or **cards** for each department in order to ensure a systematic and reliable basis upon which to prepare the a/cs.

Brick Manufacturing Cost Sheet.

Description of Charge.	January. Cost.	January. Cost per 1000.	February. Cost.	February. Cost per 1000.
Labour :—	£ s. d.	s. d.	£ s. d.	s. d.
Digging Clay	30 – –	6 –	20 – –	3 9.71
Kilning	35 – –	7 –	25 – –	4 9.14
Making, Pressing, &c.	33 5 –	6 7.8	27 – –	5 1.71
Locomotive Driver	6 – –	1 2.4	6 – –	1 1.71
Carting, counting, stacking, loading, &c.	20 2 6	4 0.3	15 7 –	2 11.08
Materials and stores used :—				
Coal and Coke	25 – –	5 –	15 – –	2 10.28
Stores, &c.	10 – –	2 –	5 – –	– 11.42
Indirect Charges :—				
Depreciation	20 – –	4 –	20 – –	3 9.71
Proportion of establishment charges	50 – –	10 –	35 – –	5 6
	229 7 6	45 10½	168 7 –	30 10.76

SUMMARY OF ABOVE SHEET.

Month.	Quantity Manufactured.	Cost of Manufacture per M.	Quantity sold.	Sales, less returns.	Average price per M. realised.	Stock.	Remarks
1907	M	£ s. d.	M	£ s. d.	£ s. d.	M	
January	100	2 5 10½	50	120 – –	2 8 –	50	
February	105	1 10 10.76	105	249 7 6	2 7 6	50	

Cost Sheet of Pig Iron.

Limestone	£93 15 –	375 tons	3 1
Tap Cinder	£250 6 6	527 tons	
Ore from Kilns	249 17 –	527 tons	
Manganese Ore	171 17 6	672 1 –	62½ tons	21 9
Coke	953 12 –	720 tons	30 11
Coal to Boilers	21 10 –	26 tons	8
Estimated Delivery	38 11 3		1 3
Cash Discounts on Sales	46 5 6		1 6
Stores and Repairs	145 – –		4 10
Wages	189 6 10		6 1
Rates and Taxes	17 – –		
Clerks' Salaries	28 – –		2 5
Management Salaries	25 – –		
Sundry Expenses	5 – –		
Cost of production of Pig Iron per ton			s. 72 6

PARTICULARS OF MAKE AND COST BOOK OF CLOTH.

PATTERN OR RANGE No. *828.* DESCRIPTION ⅘ *Suiting.* OUNCES PER YARD *20.*

Shade No. of Yarn.	Counts of Warp.	Counts of Weft.	Set in Loom. Ends in Dent.	Dents per inch.	Inches wide.	Picks per Inch.	Plan No.	Weight of Warp.	Weight of Weft.	No. of Beams.	Method of Warping.	Quantity.	Costings.	£ s. d.	£ s. d.
32	20 skeins back twist.	20 skeins front twist.	4 × 15 × 70			64	1	43	41	1	All plain.	No. 1	43 lbs. warp @ 2s.	4 6 –	
													42 lbs. weft @ 2s.	4 4 –	
													*2½ per cent. allowance for waste	– 4 3	
															8 14 3
													Warping	– 2 –	
													Sizing	– 1 4	
													Pattern Weaving	– 1 8	
													Weaving	– 12 –	
													Winding, drawing, tuning, &c.	– 4 2	
													Mending, spiling, &c.	– 2 8	
													Scouring	– 1 2	
													Milling	– 1 3	
													Dressing	– 1 2	
													Cutting	– – 8	
													Pressing	– – 6	
													Dyeing (if piece-dyed)	– – –	1 8 7
													Office and Warehouse Expenses	– 18 4	
													Other expenses and charges (including rent, rates, power, etc., etc.)	3 8 6	
													Discount	– 8 –	4 14 10
															£14 17 8
													Length finished— 52 yds. @ 5s. 8¾d., £14 17s. 11d. The cost of piece.		

*This allowance for waste is in winding' setting-up, waste in weaving, warping, &c.

PRINTER'S COST SHEET.

ORDER No.—28920. Received—1/5/1914.

Name—*Huddersfield Corporation.*

Description—*1200 Foolscap 8vo. Corporation Year Books, 96 pages and cover, ¼-bound, roller basil, cloth sides with stiff boards, ruled to pattern, printed, perforated on 4 pp.*

PRINTERS.

	£	s.	d.
Composition	17	4	–
Distribution	4	–	–
Imposition	1	–	–
Reading	–	10	–
Altering	1	–	–
Revising, &c.			
Stereotyping			
Total £	23	14	–

MACHINES.

	£	s.	d.
Making Ready	1	12	–
Machining	3	12	–
Washing up	–	6	–
Bronzing, &c.			
Total £	5	10	–

MATERIALS.

	£	s.	d.
Paper	16	13	4
Ink	3	10	–
Boards	6	4	6
Leather	5	3	4
Cloth	8	10	–
Ends			
Gold			
Sundries	–	12	6
Total £	40	13	8

BINDERS.

	£	s.	d.
Ruling	4	10	–
Cutting	1	–	–
Paging			
Perforating			
Folding	2	2	–
Sewing			
Binding	2	14	–
Gumming			
Finishing	1	6	–
Sundries	1	4	–
Total £	12	16	–

SUMMARY.

	£	s.	d.
Printing	23	14	–
Machining	5	10	–
Lithography			
Binding	12	16	–
Materials	40	13	8
Sundries			
Carriage			
	82	13	8
Profit 12½% on Cost	10	6	8
Total £	93	–	4

ENGINEERING COST CARD.

Card ..... *Pattern* ..... *Description* ..... *Class* .....
Shop Order ..... *Drawing* ..... *Quantity* ..... *Material* .....

Date.	Operations.	Time Charges. No.	Hours.	Rate.	Labour dissection. Lathe.	Drill.	Slotting.	Planing.	Wh'lCtg	Fit'ing	Mark off.	Forge	Labour.
Received Finished Stores		*Date*											
		No.											

These two Forms have been copied from "The Commercial Organisation of Engineering Factories," by permission of the Author, Mr. Henry Spencer, whose textbook is published by Messrs. E. & F. Spon, Ltd., 57 Haymarket, London, S.W.

COMPARISON COSTS REGISTER.

Card No. 240. *Description :* Brake levers, pattern W. 853. *Class :* 40 H.P.

Factory Order. Date.	No.	Quantity.	Factory Cost. Labour.	Material.	Est. Chge.	Total.	Average Cost each.	Remarks.
1914.								
June 22nd	680	20	– 10 4	1 13 2	– 12 3	2 15 9	– 2 9½	
November 10th	3134	20	– 10 7	1 14 –	– 13 1	2 17 8	– 2 10½	
1915.								Castings insufficiently
March 3rd.....	5199	40	1 – 1½	3 7 6	1 5 –	5 12 7½	– 2 9¾	annealed.

COST BOOK OF ELECTRICAL ENGINEER.

Estimate Book Folio, 15. **Contract No. 60.**—Grange Mansions. *Personal Ledger Folio*, 98.

Material.

Date.	Requisition or Credit Note No.	Particulars.	Quantity.	Rate.	Amount £ s. d.
1915					
Jan. 21	1131	$\frac{3}{32}$ D Cable	½ mile	£14	7 – –
„ 21	1132	$\frac{7}{22}$ „	½ „	£22	11 – –
Feb. 10	*d*40	Fuse Cases, No. 201	6	45/-	13 10 –
„ 10	*d*50	Dynamo— 1500, 30 amps.	1		35 12 6
„ 11	1191	⅜in. Simp. Tubing	800 ft.	60/-	2 8 –
„ 11	1192	½in.	500 „	50/-	1 5 –
„ 11	1200	⅜in. Bends”	3 doz.	5/-	– 15 –
Mar. 22	1516	$\frac{7}{18}$ D Cable	220 yds.	£44	5 10 –
					77 – 6
Apl. 26	175	*Less* $\frac{3}{22}$ D Cable	110 yds.	£16	1 – –
					76 – 6

Wages.

Date.	Particulars.	Folio.	Amount. £ s. d.
1915		J	
Mar. 28	Dept. A.	6	15 – –
„	B.	6	14 – –
„ 28	Outdoor	6	150 – –
	Dept. A. 30% on Wages	9	
	„ B. 25% on Wages	9	
	Outdoor, 20% on Wages	9	
	10% on Shop Cost	9	
			179 – –

Indirect Charges.

Departmental Charges. £ s. d.	Distributive Charges. £ s. d.
4 10 –	
3 10 –	
30 – –	29 6 –
38 – –	29 6 –

Total Cost. £ s. d.
322 7 6
Net Profit 97 13 6
Contract Price £ 420 – –

INSURANCE ACCOUNTS.

465. Insurance is a **contract** by which a person, company, or society, in consideration of a gross sum or of a periodical payment, undertakes to pay a larger sum on the happening of a particular event. In other words, insurance is a contract entered into to provide against, or *make sure*, against possible loss by fire, storm, accident, &c., or to undertake to pay a sum of money on the death of a person, or on his attaining a given age, in consideration of a specified amount (called the premium) being paid to the *insurer*, by the *insured*, either periodically or at once. There are four principal kinds of insurance, viz. :—Life, Fire, Marine, and Accident.

466. The **consideration** is termed the **premium** or premiums ; the party entering into the undertaking, the **assurer** or **insurer** ; the party for whose benefit it is entered into, the **assured** or **insured** ; the happening of the event, the **risk ;** and the instrument containing the contract, the **policy,** which is a stamped deed given by the insurance company, to a person who has paid the premium, as a guarantee that it takes the risk ; in which deed the terms and conditions of the contract are set out in full. The interest which it is necessary for a person to have before he can effect an available insurance on his own account, and for his own benefit, is called an **insurable interest.** The Law requires the strictest good faith on the part of everyone who affects an insurance of any kind, so that the contract will be void if the insured has been guilty of **fraud,** or misrepresentation of any material circumstance, or concealment of any material fact, which lies within his private knowledge.

467. Insurance companies are either Proprietary or Mutual. A **Proprietary Office** has a paid-up capital, upon which dividends are payable, a *part* only of the profits of the business being available for distribution among the policy-holders. A **Mutual Office,** on the other hand, has no paid-up capital, the whole of the profits of the business being distributable among the policy-holders. A few life offices divide their business into **two sections—General** and **Temperance ;** the

members of the latter section consisting entirely of abstainers from alcoholic liquors. The same premiums are charged to both classes of members, but the accounts of the two sections are kept quite distinct. By reason of the lower death-rate among members of the Temperance Section, the profits distributable, in the form of bonus, are greater than those in the General Section.

468. Every office, no matter of what financial strength, has a series of **limits** beyond which it will not retain liability upon any **one risk.** The limits vary in the same office, according to the nature of the business, and in different companies with the position and importance of the company It is the rule to retain a larger sum upon first-class or non-hazardous risks than upon hazardous ; and of extra hazardous business an office will generally **re-insure** or **re-assure** as much as possible. Suppose a fixed **limit** or **risk** of a given office is £10,000 and a proposal is received for £100,000. If the business is of a character with which the office can easily deal, it is accepted, and the surplus, *i.e.*, the *difference* between the *office limit* and the total amount of the policy or risk, is insured by the company accepting the proposal, *with other companies*, at the ordinary rate, less a liberal "trade" allowance for discount. This giving off of surplus risks is what is known as re-insuring or re-assuring, and the insurances so effected are termed *re-insurances* or *re-assurances.* Premiums paid in respect of re-insurances are always accounted for separately from the ordinary premiums, and are shown separately in the annual a/cs.

469. LIFE INSURANCE is generally the best and most effective form of providence. It is a cheaper and quicker way of creating an estate than ordinary saving, and is the only way of making a certain and immediate provision for those dependent upon oneself. Insurances should be effected (**1**) By husbands and fathers to make provision for themselves, widows and children, (**2**) By the young of both sexes ; because the sooner an insurance is begun the lower will be the premium and the greater the accumulated profits. (**3**) By the old ; because life is then more precarious, and the benefits the more required. (**4**) By the possessors of entailed estates, to

provide for the younger branches of their family. (**5**) In marriage contracts, to secure the terms of the settlement. (**6**) By **lenders** and **creditors** to compensate the loss which the death of their debtors might occasion. (**7**) By borrowers and debtors, to ensure, in case of death, a fund to pay their debts. (**8**) By holders of leases dependent upon a life or lives, to provide a fund to meet the fine, increase of rent, or loss of capital, which may ensue. (**9**) By expectants of property in reversion, to ensure it against contingency. (**10**) By purchasers of annuities on the lives of others to secure the capital laid out. (**11**) To provide for the payment of Estate Duty, so that the real and personal estate may be left untouched. (**12**) By **partners,** to provide against loss in case of a partner's death. This is very important, as the withdrawal of capital by the representatives of a deceased partner might cause serious embarrassment and even the ruin of a profitable business. A partnership insurance is in the nature of a joint insurance, or an insurance of joint lives. Upon the death of any one of the insured the sum insured is payable to the co-insured. As the premiums are paid for the benefit of all, they are generally charged to the business as part of its expenses, and the sum insured is devoted to pay out the capital of the deceased partner.

470. To those whose **incomes exceed £135** a year there is a special inducement to insure in the fact that they are entitled to an **abatement** of **income tax** in respect of the premium paid, but not exceeding one-sixth of their income. Thus, a person with an annual income of £155, paying a premium of £20 in respect of an insurance on either the life of himself or his wife, would be exempt from income tax.

471. The premium payable on acceptance of the proposal is known as the **First Premium,** subsequent payments being known as **Renewal Premiums.** In case of the **non-payment** of the premium in the stipulated manner, the policy will be void, and will not be revived by a subsequent receipt of the premium. Nor will it be an available excuse that the assured received no notice reminding him of the day for paying the premium ; for such **Renewal Notice,** as it is termed, though

customary, is not required by Law. Thirty days are allowed for payment of a Life Premium. In the event of a member dying during these **days of grace,** the policy is valid, but the premium will be deducted on the settlement of the claim.

472. A life policy becomes a **marketable security** after the payment of five annual premiums, carrying substantial loan and surrender values. The **Surrender Value** of a policy is that amount of money which the insurance company is willing to give to the insured if the latter surrenders or abandons his policy, and extinguishes his claim upon them. The older a policy is, or the greater the number of premiums paid upon it, the higher is the surrender value. In practice it is generally found that the *market value* of a life policy is from 15% to 20% greater than the surrender value. Some people are under a curious misapprehension as to the amount of money they may justly expect to have returned to them if they decide to abandon their policies and take surrender values. It should be remembered that the surrender value of a life policy is the balance remaining of the premiums received, and the interest thereon, *after deduction* of the cost of the risk of the insured dying, and his share of the expenses of management during the currency of the policy.

473. When a policy-holder, of three or more years standing is in need of ready money he can always obtain a **Loan** on the security of his policy from the insurance company at from 4% to 5%, according to the amount to be advanced, there being no charge beyond the interest and the payment of the stamp duty on the promissory note securing the repayment of the loan. **Money** may also be **borrowed** from private individuals on the security of a life policy, or the policy may be **sold** absolutely, in both of which cases it is necessary that the document embodying the contract as to the loan or sale, which is called an **Assignment,** should be properly stamped and a written **Notice** thereof (in duplicate) sent to the Head Office of the Company for registration, together with (in some cases) the statutory fee of 5/-. Business men sometimes deposit their life policies with their bankers to secure overdrafts.

474. The **Revenue A/cs.** of insurance companies are generally arranged in the reverse way to that which is ordinarily accepted as the correct one. The items representing *income* appear upon the left-hand, or debit side of the a/c., while those relating to outgo are set out upon the right-hand, or credit, side of the a/c. **Life-assurance** Companies are governed by the Assurance Companies Act, 1909, which prescribes the form of accounts to be kept, and requires that a copy of the Annual Revenue A/c., P. & L. A/c., and Balance Sheet shall be lodged with the Board of Trade. The **profits** of a Life Insurance Co. are usually ascertained every five years, when a quinquennial **valuation** is prepared by the Actuaries and embodied in a **Valuation Balance Sheet,** similar to that shown on page 520, which shows a **Surplus** of £1,358,969, available in the case of a Proprietary Co. for distribution in dividends among the shareholders and in bonuses among the policy holders; but in a Mutual Co. the whole is divisible in bonus among the policy holders. It is usual to assume that the mortality of the policy holders will be no less favourable than that shown by the Mortality Tables, and that the Funds of the Company will yield, at least, interest at the rate of $2\frac{1}{2}\%$ per annum, clear, free of all deductions and losses of principal. Note the Revenue A/cs. of the four kinds of Insurance businesses, as well as the Profit & Loss A/c. and B/S. here given.

General Accident Fire & Life Assurance Corporation, Limited.

Dr. PROFIT & LOSS A/c. for the year ending 31st December, 1910. **Cr.**

	£	s.	d.		£	s.	d.
Balance from last year's A/c.	8697	19	10	Depreciation of Property, Furniture & Fittings .	6132	1	–
Net Interest and Rents, less Income Tax, not carried to other Accounts	28979	8	6	Provision for Income Tax payable in 1911	2525	14	4
Transfer Fees	85	9	1	Proportion of Purchase A/c. written off	3850	19	11
Profit on Investments Realised	3418	2	9	Provision for Doubtful A/cs.	1904	5	10
Balance carried from Fire Revenue A/c.	13872	18	8	BALANCE	42965	11	3
Balance carried from Accident and General A/c. ...	1332	13	6				
Shareholders' Proportion of Life Profits	992	–	–				
	£57378	12	4		£57378	12	4

General Accident Fire & Life Assurance Corporation, Limited.

Dr. Life Assurance Account for the year ending 31st December, 1910. Cr.

	£ s. d.	£ s. d.		£ s. d.	£ s. d.
Fund at beginning of year		43971 – 1	Claims paid		4631 4 10
Premiums	£26580 2 6		Surrenders		838 9 1
Less Re-Assurances	2276 12 8	24303 9 10	Commission		2904 10 11
			Expenses		1348 11 4
Assignment Fees		7 15 –	Written off Purchase A/c.		80 – –
Fines		13 18 7	Carried to Profit & Loss A/c.		792 – –
Interest	£1895 10 11		Fund at end of year		60006 2 4
Less Income Tax	110 15 11	1784 15 –			
Reserves against Industrial South African Co.'s Policies		520 – –			
	£	70600 18 6		£	70600 18 6

Dr. Annuity Account for the year ending 31st December, 1910. Cr.

	£ s. d.	£ s. d.		£ s. d.	£ s. d.
Fund at beginning of year		4182 1 6	Commission		32 10 9
Purchase Money of Annuities		1838 8 7	Expenses		15 12 6
Interest	£176 18 7		Annuity Payments	£560 19 6	
Less Income Tax	10 6 11	166 11 8	*Less* Income Tax	17 19 8	542 19 10
			Fund at end of year		5595 18 8
	£	6187 1 9		£	6187 1 9

Dr. Capital Redemption A/c. for the year ending 31st December, 1910. Cr.

	£ s. d.	£ s. d.		£ s. d.	£ s. d.
Fund at beginning of year		1753 13 –	Commission		51 15 8
Premiums		2078 5 6	Surrender		163 17 –
Interest	£98 16 11		Carried to Profit & Loss A/c.		200 – –
Less Income Tax	5 15 7	93 1 4	Fund at end of year		3509 17 2
Assignment Fee		– 10 –			
	£	3925 9 10		£	3925 9 10

Dr. **General Accident Fire & Life Assurance Corporation, Limited.** **Cr.**

Fire Account for the year ending 31st December 1910.

	£ s. d.		£ s. d.
Fund at beginning of year—		Losses paid after deduction of Re-Insurances	75849 10 2
Reserve for Unexpired Risks £47317 13 6		Commission	11866 13 9
Reserve for Outstanding Claims 12991 7 3	60309 – 9	Expenses of Management	34044 3 3
Premiums 299824 12 9		Fund at end of year—	
Less Re-Insurances 154440 7 10	145384 4 11	Reserve for Unexpired Risks £58153 13 11	
		Reserve for Outstanding Claims 11906 5 11	70059 19 10
		BALANCE carried to Profit & Loss A/c.	13872 18 8
£	205693 5 8	£	205693 5 8

Dr. **Accident & General Fund Account** for the year ending 31st December, 1910. **Cr.**

	£ s. d.		£ s. d.
Fund at beginning of year—		Claims paid after deduction of Re-Insurances	647990 14 3
Reserve for Unexpired Risks £272708 3 2		Commission	294344 14 3
Reserve for Outstanding Claims 249476 13 1	522184 16 3	Expenses of Management	257147 13 1
Premiums, less Re-Insurances (including £445250 11s. 8d. of Monthly and other Short Period Premiums under which the Liability has expired)	1290080 11 3	Fund at end of year—	
		Reserve for Unexpired Risks £281609 19 10	
		Reserve for Outstanding Claims 329839 12 7	611449 12 5
		BALANCE carried to Profit & Loss A/c.	1332 13 6
£	1812265 7 6	£	1812265 7 6

General Accident Fire & Life Assurance Corporation, Limited.

Balance Sheet on 31st December, 1910.

LIABILITIES.	£	s.	d.
Shareholders' Capital :—			
Subscribed 200,000 Shares of £5 each	1000000	-	-
Whereof £1 5s. per Share has been called upon 199996 Ordinary Shares £249995			
And whereof 10/- per Share has been called upon Preference Shares (these are the last of the issue of Preference Shares which were converted into Ordinary Shares in 1902) the holder having declined to convert 2	249997	-	-
General Reserve Fund	180000	-	-
Life Assurance Fund	60006	2	4
Annuity Fund	5595	18	8
Capital Redemption Assurance Fund	3509	17	2
Fire Insurance Fund	70059	19	10
Reserve for Fire Bonus Policies	4083	6	10
Accident Insurance Fund	611449	12	5
Reserve for Premiums paid in advance	3514	9	5
Reserve for Investments redeemable at par	2488	16	2
Reserve for Depreciation of Securities (This will now amount to £15000)	10000	-	-
Profit & Loss A/c. £42965 11 3			
Less Interim Dividend Paid 11249 16 2	31715	15	1
	1232420	17	11
Claims under Life Policies admitted, but not yet paid	Nil		
Sundry Creditors	24575	16	3
Sums due to other Insurance Companies	54532	3	3
Funds held in trust	6756	-	-
Unclaimed Dividends	400	11	11
£	1318679	9	4

ASSETS.	£	s.	d.
Mortgages on Property within the United Kingdom £51230 12 4			
Less Loan 27000 - -	24230	12	4
Mortgages on Property out of the United Kingdom	24349	18	8
Loans upon Personal Security	16644	-	-
Loans upon Life Policies and other Securities	31499	14	10
Investments—British Government Securities	22145	17	2
Indian and Colonial Securities	94049	5	9
Foreign Government Securities	221631	3	2
Railway and other Debentures and Debenture Stocks	303365	19	-
Railway Shares, Preference and Ordinary	54844	12	10
Bank and Commercial Companies' Stocks and Shares	24794	19	9
The Law Fidelity and General Insurance Co., Ltd., 40000 Cum. Preference Shares of £1 each, 5s. paid	10000		-
Feu-duties and Ground Rents	875	10	
Freehold and Leasehold Property £172283 19 3			
Less Loan 28338 10 -	143945	9	3
Agency and other Company's Balances, less Commission	219789	19	3
Prepaid Commission	14683	3	11
Interest accrued	12198	6	3
Cash—On Deposit £3139 18 11			
In hand and on Current Account 46585 3 9	49725	2	8
Sundry Debtors	5724	16	2
Furniture and Fittings at Head Office, and London, Philadelphia, Paris, Antwerp, Toronto, Cape Town, and other Branch Offices	27606	18	8
Balance of Purchase A/cs. of Royal Exchange Co.'s Belgian Business; Scottish Live Stock Insurance Co., Ltd.; Northern Plate Glass Insurance Co., Ltd.; Life and Health Assurance Association, Ltd.	16573	19	8
£	1318679	9	4

United Kingdom Temperance and General Provident Institution.

Revenue Account for the year ending 31st December, 1910.

	£	s.	d.		£	s.	d.
Amount of Life Assurance Fund at the beginning of the year	8,847,403	10	5	Claims under Policies paid out and outstanding :—			
Premiums	677,130	4	10	By Death £327,567 4 10			
Interest, Dividends and Rents £348,235 1 5				By Maturity 132,716 13 –			
Less Income Tax 21,425 3 1					460,283	17	10
	326,809	18	4	Surrenders, including Surrenders of Bonus	56,229	19	7
Other Receipts :—				Annuities	2,573	2	7
Fines for Renewal of Policies	238	9	3	Bonuses in Cash	1,359	17	11
Fees	256	1	–	Bonuses in reduction of Premiums	20,572	2	10
				Bonus Annuities	5,016	7	6
				Commission	42,527	7	8
				Expenses of Management	40,452	17	7
				Written off Investments	40,468	17	5
				Amount of Life Assurance Fund at the end of the year	9,182,353	12	11
	£9,851,838	3	10		£9,851,838	3	10

Valuation Balance Sheet on 31st December, 1910.

Liabilities.	£	s.	d.	Assets.	£	s.	d.
Value of :—				Value of—			
Sums Assured	12,345,269	–	–	Future net Premiums *Less* Reductions by Bonus	6,371,002	–	–
Bonuses	1,830,307	–	–	Assurance Fund	9,182,354	–	–
Annuities	18,811	–	–				
SURPLUS	1,358,969	–	–				
	£15,553,356	–	–		£15,553,356	–	–

UNITED KINGDOM TEMPERANCE AND GENERAL PROVIDENT INSTITUTION.

BALANCE SHEET on 31st December, 1910.

LIABILITIES.	£	s.	d.
Life Assurance Fund	9182353	12	11
Claims admitted or intimated, but not paid	63263	4	–
Other sums owing by the Institution :—			
Commission due to Agents, and other Liabilities	16048	17	7
Surrender Values unclaimed	3184	–	8
	£9264849	15	2

ASSETS.	£	s.	d.
Mortgages on Property within the United Kingdom	1088279	3	10
Loans on Parochial and other Public Rates	332627	7	6
Do. Life Interests	11960	–	–
Do. Reversions	33927	19	6
Do. Stocks and Shares	40000	–	
Do. Institution's Policies within their Surrender Values	1033182	10	–
Investments :			
Deposit with the High Court (£28933 India 2½% Stock)	20000		–
British Government Securities	18047	2	2
Municipal and County Securities. United Kingdom	374350	–	2
Indian and Colonial Government Securities	213849	5	4
Do. Municipal Securities	34884	13	5
Foreign Government Securities	191744	10	6
Do. Provincial Securities	19650	–	–
Do. Municipal Securities	121052	18	4
Railway and other Debentures and Debenture Stocks, Home and Foreign	1204472	4	9
Railway and other Preference and Guaranteed Stocks, Home and Foreign	696732	12	10
Rent Charges	43147	13	–
Freehold Ground Rents	1992622	19	3
Leasehold do.	430169	7	6
House Property	606797	9	7
Reversions	177795	3	11
Indian Railway Stocks and Annuities	252851	17	10
Bank of England Stock	101541	18	5
New River Company's Securities	402	14	8
Agents' Balances	22933	7	7
Outstanding Interest, Dividends and Rents	21130	19	6
Interest accrued but not payable	68928	9	–
Bills Receivable	44	6	3
Cash—			
On Deposit £65000 – –			
In hand and on Current Account 28375 11 –			
	93375	11	–
Other Assets :—			
Loans on Credit Policies	18336	8	1
Postage Stamps	11	1	3
	£9264849	15	2

DEPARTMENTAL ACCOUNTS
AND THE
TABULAR SYSTEM.

475. The mere fact that a business produces a substantial net profit is not *prima facie* evidence that it is being managed in the most skilful manner. The majority of large businesses are worked in departments, while many others carry on trade in a limited number of articles. In such concerns it is possible that a net **profit** may be shown on the **entire working,** notwithstanding that a **loss** is being sustained on one or more of the **departments** or **articles,** without the proprietors being aware of the fact. The only method which will afford adequate information of the detailed working of the business, and thus help to prevent such an unbusiness-like state of affairs, is that of keeping **separate accounts** for each **department** or **article.** With this end in view the subsidiary books should be ruled with suitable columns, so as to enable the records of the various transactions to be entered in an economical and a systematic manner.

476. The **monthly totals** of the **columns** in the subsidiary books must be posted to their respective Departmental Trading Accounts in the Impersonal Ledger. The **debits** will consist of Stock at the commencement ; Credit and Cash Purchases, *less* Returns ; Carriage ; Wages ; and such other items as may be definitely ascertainable as chargeable to the departments ; the **credits** consisting of Credit and Cash Sales, *less* Returns ; and the Stock at the end of the period. The **difference** will, of course, represent the Gross Profit or Loss on the particular department and will require to be transferred to the Profit & Loss A/c. on balancing. When there are few departments a **combined** Departmental Trading A/c. should be prepared in columnar form, as shown on page 525.

477. Such Departmental Accounts **facilitate** the **comparison** of the **turnover** of different **periods,** as well as the **percentages** of **expenses** in relation to the turn-

over, thereby enabling the proprietors to discover defects in the management which would remain undetected but for the searchlight of the departmental system. The first illustration given below is a very simple one taken from Exercise 31. This is followed by another example from the W.R.C.C. Advanced Examination Paper for 1903, being Exercise No. 107. Further illustrations are afforded of **actual** and **suggested rulings** for subsidiary books of various businesses, including a copy of the Sales Book used by the author of this textbook. This particular book is a most economical one, serving, as it does, the purposes of a **Sales Book, Cash Book,** or **Ledger** for cash transactions, in addition to recording the number of books sold and cost of carriage.

Ex. 31. **Purchases Book.**

		L.F.	Total.			Tobacco.			Cigars.			Cigarettes.		
1907.			£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Oct. 4	Hignett & Co.		157	15	10	42	10	6	96	–	–	19	5	4
„ 8	Martin Bros.		150	10	–				150	10	–			
„ 11	Ogden & Co.		322	–	–	130	–	–	160	–	–	32	–	–
„ 18	Bell & Sons		165	4	–	83	9	4	54	6	2	27	8	6
„ 26	Wills & Co.		374	–	–	130	6	–	180	4	–	63	10	–
„ 27	Martin Bros.		123	10	–				123	10	–			
		£	1292	19	10	386	5	10	764	10	2	142	3	10

Sales Book.

		L.F.	Total.			Tobacco.			Cigars.			Cigarettes.		
1907.			£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Oct. 1	Edward Wade		86	5	10	20	6	4	50	10	–	15	9	6
„ 5	Joe Parson		131	4	–	30	8	–	80	6	–	20	10	–
„ 7	Albert Kershaw		28	10	–				28	10	–			
„ 9	Thomas Elliott		18	–	–							18	–	–
„ 9	Henry Hirst		131	1	6	63	8	6	46	10	–	21	3	–
„ 14	Thomas Elliott		247	18	–	89	6	6	113	4	6	45	7	–
„ 21	Edward Wade		130	6	10	53	16	8	48	13	10	27	16	4
„ 22	Henry Hirst		197	5	8	68	15	–	100	3	–	28	7	8
		£	970	11	10	326	1	–	467	17	4	176	13	6

Dr. **Tobacco A/c.** **Cr.**

1907.		£	s.	d.	1907.		£	s.	d.
Oct. 1	To Balance	700	–	–	Oct. 30	By Cash	19	6	–
„ 31	„ Sundries P/B.	386	5	10	„ 31	„ Sundries S/B.	326	1	–
„ 31	„ GROSS PROFIT	124	1	2	„ 31	„ *Bal.* (*Stock*) *c/f.*	865	–	–
	£	1210	7	–		£	1210	7	–

Dr. **Cigars A/c.** **Cr.**

1907.		£	s.	d.	1907.		£	s.	d.
Oct. 1	To Balance	510	–	–	Oct. 30	By Cash	23	10	–
,, 31	,, Sundries P/B.	764	10	2	,, 31	,, Sundries S/B. ..	467	17	4
,, 31	,, GROSS PROFIT	144	17	2	,, 31	,, *Bal. (Stock) c/f.*	928	–	–
	£	1419	7	4		£	1419	7	4

Dr. **Cigarettes A/c.** **Cr.**

1907.		£	s.	d.	1907.		£	s.	d.
Oct. 1	To Balance.....	263	–	–	Oct. 30	By Cash	8	4	6
,, 31	,, Sundries P/B.	142	3	10	,, 31	,, Sundries ...	176	13	6
,, 31	,, GROSS PROFIT	69	14	2	,, 31	,, *Bal. (Stock) c/f.*	290	–	–
	£	474	18	–		£	474	18	–

Profit & Loss A/c. for the month ended 31st October, 1907.

Dr. **Cr.**

	£	s.	d.		£	s.	d.
To Bad Debts A/c.	131	4	–	By Gross Profit on :—			
,, Wages A/c.	34	–	–	Tobacco	124	1	2
,, Depreciation A/c.	22	–	–	Cigars	144	17	2
,, Interest A/c.	3	13	3	Cigarettes	69	14	2
,, Trade Expenses A/c.	36	6	9	,, Discount A/c.	98	3	2
,, NET PROFIT :—							
R. Jackson .£125 15 –							
J. Jackson .. 83 16 8	209	11	8				
£	436	15	8	£	436	15	8

Dr. **Ex. 107.** **Trading A/c., A Department.** **Cr.**

1903.		£	s.	d.	1903.		£	s.	d.
Jan. 1	To Stock	1423	12	8	Dec.31	By Sales	2920	–	–
Dec.31	,, Purchases	1892	17	3	,, 31	,, STOCK.....	1028	15	4
,, 31	,, Wages	215	–	–					
	,, GROSS PROFIT	417	5	5					
	£	3948	15	4		£	3948	15	4

Dr. **Trading A/c., B Department.** **Cr.**

1903.		£	s.	d.	1903.		£	s.	d.
Jan. 1	To Stock	1264	17	3	Dec.31	By Sales	6286	–	–
Dec.31	,, Purchases	4524	2	4	,, 31	,, STOCK.....	1340	9	5
	,, GROSS PROFIT	1837	9	10					
	£	7626	9	5		£	7626	9	5

Dr. **Trading A/c., C Department.** **Cr.**

1903.		£	s.	d.	1903.		£	s.	d.
Jan. 1	To Stock	2580	10	4	Dec.31	By Sales	8492	–	–
Dec.31	,, Purchases	5431	12	8	,, 31	,, STOCK.....	1469	7	8
	,, GROSS PROFIT	1949	4	8					
	£	9961	7	8		£	9961	7	8

Dr. **Departmental Trading A/c.** for the year ended 31st December, 1912. **Cr.**

	Dep. A.	Dep. B.	Dep. C.	Total.		Dep. A.	Dep. B.	Dep. C.	Total.
To Stock, 1st Jan., 1912	790	320	400	1510	By Sales	3075	1563	3540	8178
„ Purchases	2851	821	2021	5693	„ STOCK, 31st Dec. .	1005	365	305	1675
„ Wages		419		419					
„ GROSS PROFIT ...	439	368	1424	2231					
	£4080	£1928	£3845	£9853		£4080	£1928	£3845	£9853

Dr. **Profit and Loss A/c.** for the year ended 31st December, 1912. **Cr.**

	£		£	£
To Carriage	128	By Gross Profit brought from Trading A/c. :—		
„ Wages and Salaries	322	Department A.	£439	
„ Rent, Rates and Insurance	123	Do. B.	368	
„ Advertising	251	Do. C.	1424	
„ Commission	142			2231
„ General Expenses	62			
„ Bank Charges	76	„ Discount on Purchases		154
„ Discount and Allowances.....	167	„ Dividends received		25
„ Bad Debts	121			
„ Depreciation	132			
„ NET PROFIT	886			
	£2410			£2410

Coal and Lime Merchant. Sales Book.

Date.	Name.	L. F.	Total.	Household.				Steam.				Coke.				Lime.				Sand.			
				T.	C.	Q.	£ s. d.	T.	C.	Q.	£ s. d.	T.	C.	Q.	£ s. d.	T.	C.	Q.	£ s. d.	T.	C.	Q.	£ s. d.

Leather Trade. Purchases Book.

Date.	Name.	L.F.	Total.	Hides.	Calf Skins.	Kips.	Pelts.	Tanning Materials.	Sundries.

Ladies' Outfitter. Sales Book.

Date.	Name.	L.F.	Total.	Outfitting.	Mantles.	Dresses.	Millinery.	Furs.	Linen

Gentlemen's Outfitter. Sales Book.

Date	Name.	L.F.	Total.	Outer-clothing.	Under-clothing.	Hats & Caps.	Mercery & Starch.	Leather Goods.	Sundries

Drapery and Dressmaking. Purchases Book.

Date.	Name.	L.F.	Total.	Drapery.	Prints.	Fancy.	Silks.	Dresses & Materials.	Sundries.	Boxes, &c.

Cloth Merchant. Purchases Book.

Date.	Name.	L.F.	Terms.	Description	Yards	@	Items.	Total.	Woollens.	Worsteds.	Sundries.

Tea and Coffee Merchant. Purchases Book.

Date.	Name.	L.F.	Total.	Tea.	Coffee.	Chicory.	Cocoa.	Duty.

Provision Merchant. Purchases Book.

Date.	Name.	L.F.	Total.	Hams and Bacon.	Lard.	Butter.	Cheese.	Eggs.	Tinned Goods.	Sundries.

Wine and Spirit Merchant. Purchases Book.

Date.	Name.	L.F.	Total.	Wines.	Wine Duty.	Spirits.	Spirit Duty.	Corks, Bottles, &c.

Wine and Spirit Merchant. Sales Book.

Date.	Wines.		Spirits.		Name.	L.F.	Total.	Private Customers.		Public or Licensed Customers.		Vaults Trade.	
	Doz.	Botts.	Gal.	Botts.				Wines.	Spirits.	Wines.	Spirits.	Wines.	Spirits.

Mineral Water Manufacturer. Purchases Book.

Date.	Name.	L.F.	Total.	Sugar, Essence, &c.	Corks, Wire, Brushes, &c.	Coal and Water.	Carriage.	Repairs and Renewals of Plant.	Stable Expenses.	Boxes.	Bottles.	Sundries.	

Grain, Flour, Hay and Seed Merchant. Purchases Book.

Date.	Name.	L. F.	Total.	Wheat.	Flour.	Oats.	Barley.	Oatmeal.	Bran.	Pollard.	Maize.	Seed.	Rape Dust.	Hay.	Straw.	Tares.	Cake.	Sacks.

Dairy Trade. Sales Book.

Date.	Name.	Address.	L. F.	Total.	Milk.		Cream.		Butter.		Eggs.		Sundries	
					Quantity.	£ s. d.	Quantity.	£ s. d.	Quantity.	£ s. d.	Quantity.	£ s. d.	Quantity.	£ s. d.

Farming. Sales Book.

Date.	Name.	L.F.	Total.	Hay & Straw.	Cattle.	Pigs.	Dairy & Poultry.	Sundries.

ANNUAL CLASSIFICATION OF PAYMENTS OF A FARMER.

Total.	General Live Stock.	Fowls.	Eggs.	Foods.		Man'res.	Seeds.	Implements and Appliances.		Rents, Rates, Taxes & Insur'ce.	Labour.		Sundry Expenses.	
				General.	Poultry.			General.	Poultry.		General.	Poultry.	General.	Poultry.
£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
7 9 6											4 19 6	2 10 –		
4 – –										4 – –				
– 9 6		– 9 6												
– 3 –														– 3 –
– 5 –													– 5 –	
18 – –	18 – –													
17 15 –				17 15 –										
October	58 – –	10 2 6		17 15 –	11 4 6		3 – –	3 5 –	6 – –		18 15 –	10 – –	7 11 3	3 17 –
November.....		9 13 –	2 4 –	5 7 3	7 13 –		2 10 –				17 6 4	9 10 –	2 5 6	– 9 6
December		12 7 9	6 16 7	12 15 6	14 3 9	10 – –					17 – –	10 – –	1 7 3	– 4 9
January		10 17 6	5 13 10	10 10 –	5 6 8				4 5 6	13 – –	17 7 6	10 5 –	11 2 9	4 6 2
February		5 6 –	2 3 9		12 10 –						18 – –	10 – –	2 7 7	4 1 –
March		3 12 –	1 7 5		11 9 6				5 14 9	115 – –	17 6 4	11 5 –	1 3 5	1 1 6
April	24 – –	1 4 –		23 – –	12 15 –		27 3 –				19 – –	11 5 –	6 14 3	– 18 3
May					13 4 –	25 10 –		7 12 6			18 10 –	11 5 –	1 19 4	6 17 9
June		2 5 –			7 16 –						18 10 6	11 – –	– 17 6	– 14 5
July				27 7 6	16 6 6					11 10 –	18 – –	10 5 –	4 3 –	2 17 10
August		– 15 –			13 17 6						31 – –	10 – –	2 1 9	– 12 4
September				22 5 –	11 18 –				5 – –	115 – –	29 10 –	10 – –	3 2 6	4 1 5
	82 – –	56 2 9	18 5 7	119 – 3	138 4 5	35 10 –	32 13 –	10 17 6	21 – 3	254 10 –	240 5 8	124 15 –	44 16 1	30 1 11
Add debts owing at end of year				19 – –							2 10 –	1 9 9	16 10 –	2 5 3
	82 – –	56 2 9	18 5 7	138 – 3	138 4 5	35 10 –	32 13 –	10 17 6	21 – 3	254 10 –	242 15 8	126 4 9	61 6 1	32 7 2
Deduct debts owing at beginning of year				17 15 –	2 – –						2 8 –	1 6 9	14 – –	3 10 –
Purchases and expenses for the year	82 – –	56 2 9	18 5 7	120 5 3	136 4 5	35 10 –	32 13 –	10 17 6	21 – 3	254 10 –	240 7 8	124 18 –	47 6 1	28 17 2

ESTATE PURCHASES DAY BOOK.

1 Date.	2 From whom purchased and particulars.	3 Ledger Folio.	4 Amount to be posted.	Analysis Columns. 5 Estate Capital	6 Estate maintenance	7 Woods.	8 Quarri's	9 Game.	10 Gard'ns	11 Sundries. Name of Account.	Led. Fo.	Amount

ESTATE SALES DAY BOOK.

1 Date.	2 To whom charged and particulars.	3 Ledger Folio.	4 Amount to be posted.	Analysis Columns. 5 Rentals	6 Woods.	7 Quarries.	8 Game.	9 Gard'ns	10 Sundries. Name of Account.	Led. Fo.	Amount

ESTATE RENT BOOK.

Rental for Quarter ending Christmas, 1917.

No. on Ordnance Map.	Description of Property.	Tenant's Name.	Annual Rent.	Arrears brought forward.	Rent this Quarter.		Total amount due	Deductions to be allowed.				Cash received.			Total cash and Deductions.	Arrears carried forward.	Debts irrecoverable	Remarks.
					S.B. fol.	Amount.		Vou'h No.	C.B. fol.	Inc. Tax.	Sundries.	Date.	C.B. fol.	Amt.				

ESTATE RENT LEDGER.

Description of Farm or Holding..... Area.....

Name of Tenant..... Annual Rent .....

Date.	Arrears carried forward.	Rent for Half year.		Total amount due.	Deductions to be allowed.				Cash received.		Total Cash and Deductions.	Arrears carried forward.	Remarks.
		S.B. folio.	Amount.		Vouch'r No.	P.B. folio.	Income Tax.	Sundries.	C.B. folio.	Amount.			

ESTATE PETTY CASH BOOK.

RECEIPTS.						PAYMENTS.								
						Analysis Columns.						Sundries.		
Date.	Amount.	Date.	To whom paid and particulars.	Ledger Folio.	Amount.	Estate Repairs	Woods.	Quarries.	Game.	Gardens.	Mansion.	Name of Account.	Led. Fo.	Amount

ESTATE WAGES BOOK. Week ending

				Analysis Columns.							Sundries.		
Name.	Amount of Wages due.	Cash paid.	Payments other than Cash.	Estate Capital	Estate Repairs	Woods.	Quarries.	Game.	Gardens.	Mansion.	Name of A/c.	Led. Fo.	Amount

The totals of the Analysis Columns and the individual sundries items are posted weekly to the debit of Ledger A/cs.

Steam Fishing Trade. Purchases Book.

Date.	Name.	L.F.	Total.	Coals.	Boxes.	Gear.	Repairs.	Stores.	Insurance	Sundries.

Fish Merchant and Curer. Purchases Book.

Date.	Name.	L.F.	Total.	Fish.	Boxes.	Salt and Ice.	Carriage.	Curing Dept.	General Expenses	Sundries.

Manufacturing and Retail Chemist and Druggist. Purchases Book.

Date.	Name.	L.F.	Total.	Patents.	Drugs.	Factory.	Groceries.	Photo and Fancy.	Sundries.

Motor and Cycle Dealer. Sales Book.

Date.	Name.	L.F.	Total.	Motors.	Cycles.	Accessories	Oil and Petrol.	Repairs.	Hire.

Bookseller and Stationer. Sales Book.

Date.	Name.	L.F.	Total.	Books.	Papers and Magazines.	Stationery.	Leather Goods.	Metal Goods.

Music Dealer. Sales Book.

Date.	Name.	L.F.	Total.	Pianos.	Organs.	Other Instruments, etc.	Music.	Tuning and Repairs.	Lessons.	Hire.

Publisher and Bookseller. Sales Book and Ledger.

Date sent.	Name.	Complete Book-keeping. Carr.	No.	£ s. d.	El'ment'y Book-kg.	Advanced Book-kg.	Shortha'd	Business Methods.	Manusc'p Books.	Total Debit.	Total Credit.	Date Rec'd.

Printing Trade. Purchases Book.

Date.	Name.	L.F.	Total.	Paper.	Ink.	Binding Materials.	Artists.	Stereos.	Station'y.	Boxes & Packing.	Type.	Plant & Machinery.

SALES BOOK for Alphabetical and Self-Balancing Ledgers.

Date.	Name.	L.F.	Total.	A. to C	D to G.	H to L.	M to O.	P to S.	T to Z

SALES BOOK for District and Self-Balancing Ledgers.

Date.	Name.	L.F.	Total.	Bradford.	Dewsbury.	Halifax.	Leeds.	Sheffield.	Wakefield.

LAUNDRY CUSTOMERS' LEDGER.

No.	Name.	Address.	Week ending 10th October, 1917.						Week ending 17th October, 1917.					
			Dr.			Cr.			Dr.			Cr.		
			Balance.	Work done.	Total.	Cash Received.	Bad Debts.	Allowances and Discounts.	Balance.	Work done.	Total.	Cash Received.	Bad Debts.	Allowances and Discounts.

Visitors' Charges Book for Residential Hotels and Hydros.

No.	Name.	Room.	Rate	Week ending ..... Amount.	Rate	Week ending ..... Amount.	Rate	Week ending ..... Amount.	Rate	Week ending ..... Amount.

HOTEL ACCOUNTS.

Cash Book.

Dr. Cr.

Date.	Particulars.	Ledger Folio.	Ledger A/cs.	Sundries.	Billiards.	Bars.	Restaurant.	Visitors.	Bank.	Date.	Particulars.	Ledger Folio.	Ledger Accounts. Discount.	Ledger Accounts. Amount.	Wages.	Salaries.	Rent, Rates, etc.	Sundry Expenses.	Bank.

Purchases Book.

Date	Name.	Particulars.	Invoice No.	Ledger Folio.	Total.	Provisions.	Beers and Minerals.	Wines and Spirits.	Cigars and Cigarettes.	Laundry.	Fuel.	Utensils, Glass, Cutlery, Plate.	Furniture.	Fixtures and Fittings	Repairs.

Hotel Visitors' Ledger:

TUESDAY, 10th FEBRUARY, 1925. (Folio 40.)

	DEBITS.	Room No. 1. Jacks'n			Room No. 2. Brown			Room No. 3. Frost			To-day's Totals.			Brought forward from folio 39 Feb. 1 to 9.			Carried forward to folio 41 Feb. 1 to 10.			No. of Debit Items. Impersonal Ledger Fo.
		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	
	Brought forward.		6	–				2	10	–	2	16	–							
1	Apartments		6	–		10	–		6	–	1	2	–	10	11	–	11	13	–	1
2	Attendance.....		1	–		2	–		1	–		4	–		1	19	–	2	3	–	2
3	Baths			6									6			8	–	8	6	3
4	Fires and Lights.					1	–		1	–		2	–	1	7	–	1	9	–	4
5	Breakfasts		2	–		4	–		2	–		8	–	3	15	–	4	3	–	5
6	Luncheons					3	–					3	–	1	10	–	1	13	–	6
7	Dinners		2	6		5	–		2	6		10	–	5	11	–	6	1	–	7
8	Teas and Coffee													1	5	–	1	5	–	8
9	Suppers													1	10	6	1	10	6	9
10	Sandwiches, &c.														5	6		5	6	10
11	Servants' Board.													1	3	–	1	3	–	11
12	Wines													4	8	–	4	8	–	12
13	Spirits								1	–		1	–	3	9	–	3	10	–	13
14	Ales and Stout..			6									6	5	6	–	5	6	6	14
15	Aerated Waters													1	10	–	1	10	–	15
16	Cigars		1	–					1	–		2	–	1	9	6	1	11	6	16
17	Carriages.....								4	–		4	–	2	7	–	2	11	–	17
18	Garage		1	6								1	6	1	3	–	1	4	6	18
19	Laundry														15	–		15	–	19
20	Sundries													3	1	6	3	1	6	20
21	Paid out			6									6		7	6		8	–	21
	Total of Bill...	1	1	6	1	5	–	3	8	6	5	15	–	53	1	6	56	–	6	
	CREDITS.																			
22	Overcharges ...								1	–		1	–		3	6		4	6	22
23	Cash Received .							3	7	6	3	7	6	50	2	–	53	9	6	23
24	Ledger Accounts				1	5	–				1	5	–				1	5	–	24
	Balance c/f.	1	1	6							1	1	6	2	16	–	1	1	6	
	Total	1	1	6	1	5	–	3	8	6	5	15	–	53	1	6	56	–	6	

(Specimen Visitor's Bill.)

Telephone No. 555.
Telegrams: "Royal, York."

ROYAL HOTEL,

Limited,

YORK.

Accounts rendered weekly.

MR. WILLIAM JACKSON. Room No. 1.

Cheques not received in payment.

1925. February	10			11			12			13			14		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Brought forward		6	–	1	1	6	1	16	–	2	10	–			
Apartments		6	–		6	–		6	–						
Attendance		1	–		1	–		1	–						
Baths			6			6			6						
Fires and Lights															
Breakfasts		2	–		2	–		2	–		2	–			
Luncheons															
Dinners		2	6		2	6		2	6						
Teas and Coffee															
Suppers															
Sandwiches, &c.															
Servants' Board															
Wines															
Spirits															
Ale and Stout			6						6						
Aerated Waters															
Cigars		1	–												
Carriages															
Garage		1	6		1	6		1	6						
Laundry															
Sundries															
Paid out :—															
Postal															
Telephone			6		1	–									
Carried forward	1	1	6	1	16	–	2	10	–						
Total										2	12	–			

S

HOTEL ACCOUNTS.

478. The business of a hotel principally consists in providing accommodation and consumables, as well as the rendering of numerous services to its guests, resulting in a large number of small transactions of a similar character. The two chief aims of Hotel A/cs. are to secure (**1**) promptness of record, (**2**) detection of leakages and extravagances. In connection with both these objects, and more especially with regard to the latter, it will be obvious that the most suitable means to be employed must depend very largely upon the size of the staff, and it thus follows that a system suitable to a large hotel might be found so cumbrous as to be unworkable in a small establishment. The **Tabular System** of Accounts is especially useful for statistical purposes, and has been found to be so suited to the demands of the trade that it has been universally adopted.

479. The **Account Books** in general use are :—(**1**) Journal, (**2**) Cash Book, see page 543, (**3**) Petty Cash Book, (**4**) Purchases Book, see page 543, (**5**) Purchases Returns Book, (**6**) Wages Book, (**7**) Stock Book for Wines, Spirits, etc., (**8**) Impersonal Ledger, (**9**) Purchases or Credit Ledger, (**10**) Debtors' Ledger, (**11**) Visitors' Ledger, see page 544. No Sales Book or Sales Returns Book is needed, unless a credit trade is done in Wines and Spirits, etc. With the exception of the Journal and the ordinary Ledgers, all the books should be kept in tabular form.

480. The **Visitors' Ledger** is one of the special tabular books used in connection with Hotel A/cs., the *perpendicular* columns forming the **Personal A/cs.** of the Visitors, and the *horizontal* columns forming the **Impersonal A/cs.** of the hotel. It will be noticed from the example given on page 544, that each visitor is daily debited with the value of the goods supplied and the

services rendered. This Ledger is principally written up from the **Slips,** bearing the numbers of the visitors' rooms, and handed into the office by the waiters, maids, porters and others. When the **visitor pays** his bill, the amount is entered at the bottom of the *perpendicular* column opposite *Cash Received*. The **unpaid** *daily totals* of each visitor are carried forward to the top of the next page or folio, until such times as the visitor pays his bill, or until he has left the hotel, when any amount **owing** is transferred to his account in the **Debtors' Ledger.** Each opening of the Ledger contains the transactions for one day, and the **first entry** at the head of each folio of the Visitors' Ledger is in respect of the charges *brought forward* from the previous day, relating to the visitors who have stayed overnight.

481. The **Visitors' Ledger** should be **posted** at least once a month, as follows :—(**a**) The total amount charged to all Visitors for supplies and services should be *debited* to the **Visitors' A/c.** in the Impersonal Ledger. (**b**) The total amount in respect of each kind of supply or service should be posted to the *credit* of the various real and nominal a/cs. in the Impersonal Ledger, such as *Apartments A/c.*, *Attendance A/c.*, *Baths A/c.*, etc. (**c**) The amounts *owing* by Visitors, who have left the hotel, should be posted to the *debit* of their respective personal a/cs. in the Debtors' Ledger.

482. The **Cash Received from Visitors** must be entered daily in the Cash Book in the column headed *Visitors*, the monthly total of which must be posted to the credit of *Visitors' A/c.* in the Impersonal Ledger, and should agree with the total cash received, as shown in the Visitors' Ledger. A specimen of a *Visitors' Bill* is given on page 545.

Specimen **Trading A/c., Profit & Loss A/c.,** and **Balance Sheet,** are given on the two following pages.

TRADING A/c. of THE IMPERIAL HOTEL Co., Ltd.,

Dr. for the year ended 31st December, 1925. **Cr.**

	£	£		£
To Meat	1300		By Rooms	4000
„ Fish and Poultry	1050		„ Meals	7000
„ Sundry Provisions	800		„ Chance Meals	1250
„ General Stores	1500		„ Attendance	750
		4650	„ Washing	50
„ Wages		1000	„ Coals and Sundries	130
„ Rent and Insurance	125			
„ Rates and Taxes	420			
„ Fuel	400			
„ Gas	250			
„ Electric Light	380			
„ Laundry	320			
„ Licence and Telephone	100			
„ Printing and Stationery	40			
„ Newspapers	20			
„ Hire of Plants	70			
„ Liveries	75			
„ General Expenses	520			
„ Advertising	150			
		2870		
„ Salaries		400		
„ Repairs, Maintenance, and Depreciation :—				
Lease	520			
Premises	48			
Furniture, &c.	250			
Glass and China	150			
Cutlery and Plate	80			
Linen	100			
		1148		
„ GROSS PROFIT		3112		
		£13180		£13180

PROFIT & LOSS A/c. of THE IMPERIAL HOTEL Co., Ltd.,

Dr. for the year ended 31st December, 1925. **Cr.**

	£	£		£
To Bad Debts	5		By Gross Profits from :—	
„ Law Costs	5		General Account	3112
„ Audit Fee	105		Liquors	2105
„ Interest	600		Cigars and Cigarettes	45
		715	Billiards	70
„ NET PROFIT for the year		4617		
		£5332		£5332

BALANCE SHEET of THE IMPERIAL HOTEL Co., Ltd., on 31st December, 1925.

Liabilities.	£	Assets.	£	£
CAPITAL A/c.	17500	Leasehold Premises	27000	
Mortgage at 4%	15000	*Less* Depreciation	520	
Sundry Creditors	930			26480
PROFIT & LOSS A/c., Balance	4617	Furniture & Fittings		4683
		China & Glass		412
		Cutlery & Plate		341
		Linen		295
		Stock on Hand, viz. :—		
		Wines	1510	
		Spirits	490	
		Minerals	165	
		Beers	35	
		Cigars, &c.	20	
		Kitchen	50	
		Stores	150	
		Bar	16	
				2436
		Sundry Debtors		130
		Payments in Advance		200
		Cash—At Bank	3045	
		In Hand	25	
				3070
	£38047			£38047

BRANCH AND MULTIPLE SHOP ACCOUNTS.

483. BRANCH A/CS. are necessitated where a firm, having a central factory or warehouse, also carries on business at one or more shops either in the same or other towns ; the trade in Groceries and Provisions, Meat, Bread, Milk, Boots and Shoes, Clothing, Drapery, Tobacco, Medicines and Drugs, being principally the subjects of retail branches. Just as it is necessary to keep separate a/cs. of each *department* in a business, so it is necessary to record the transactions of each *branch*, that the result of the separate trading may be readily ascertained. While each class of business must needs adapt its books to its own particular requirements, there are, however, two principal systems in use :—(*a*) where the whole of the accounts are kept at the Head Office ; (*b*) where the details are recorded in the books at the Branches.

484. In **retail shops,** where all the **sales** are for **cash,** it is *not* necessary to keep any a/cs. at the Branches ; daily or weekly Returns of Sales being made (on Forms specially provided, as shown on page 553) by the Branch Manager to the Head Office. In such cases *all* the Branch A/cs. are kept at the Head Office in a manner similar to **Departmental A/cs.,** the record of the goods sent to each Branch being made in a *columnar* **Stock Issued Book,** the weekly or monthly totals of each column being posted to the debit of the respective Branch A/cs., although in a small concern, with only one or two branches, the ordinary **Sales Book** might be used for this purpose. Where there are numerous Branches a separate book is kept for each. The cash, which would represent the actual Branch Sales, would either be forwarded to the Head Office or paid into the bank, the amount being debited in the Head Office Cash Book, in which separate columns would be allotted for each Branch, the weekly or monthly totals being posted to the credit of the Branch A/cs. The Head Office would pay the wages and expenses of each Branch, the

payments being recorded in the Branch columns on the Cr. side of the C.B. and from there posted to the debit of the Branch A/cs. Where a Petty Cash A/c. is needed by any Branch, it should be kept on the *Imprest System*, a monthly summary being transmitted to the Head Office. The expenses of the various Branches should be recorded in an **Expenses Journal,** specially ruled to suit the purposes of the particular business, so that the records are easy to make and compare.

HEAD OFFICE. STOCK ISSUED TO BRANCHES.

Date.	Details.	Leeds.		York.		Selby.	
		Cost.	Selling.	Cost.	Selling.	Cost.	Selling.

485. Wholesale establishments and **Banks** usually keep **complete Branch Books at the Branch,** so far as the trading transactions and circulating assets are concerned, only remitting to or receiving Cash from the Head Office, as necessity arises. The **Books** of the **Branch** required for a merchant would consist of Journal, Purchases, Sales, Returns, Cash Books and Ledgers ; the Purchases and Returns Outwards Books being ruled so as to show, in a separate column, those goods received from and returned to the Head Office. *The Opening Entries in the* **Branch Books** would generally consist of Cash (enter in C.B.), Stock (enter in Trading A/c.), and Sundry Debtors (enter in separate Personal A/cs.) ; the *total* of these three a/cs. being *credited* to the **Head Office Adjustment A/c.,** which takes the place of the usual Capital A/c. The liabilities to Sundry Creditors would be *debited* to the Head Office A/c. and posted to the credit of the separate Personal A/cs. The monthly *totals* of the Head Office columns in the Purchases and Sales Books, &c., should be posted to the " *Head Office A/c.*" in each Branch Ledger. On *re-opening the Branch Ledger, after the periodical balancing,* the balances of the various a/cs. are brought down in the usual manner.

486. It is advisable that the **Cash Receipts** of each Branch should be paid direct into the Bank, a weekly statement being rendered to the Head Office from which a special columnar C.B. should be compiled, showing the receipts in respect of each Branch, the *monthly totals* only being debited in the ordinary Cash Book at the Head Office, thus :—" July 31. To York Branch £200," which would be posted to the **Branch Adjustment** or **Current A/c.** in the Head Office Ledger. A similar columnar book would be needed for recording the remittances by the Head Office to the Branches, the entries and postings being reversed.

487. The a/cs. recording the **Capital** and all the **fixed Assets,** such as Business Premises, Plant and Machinery, Furniture and Fittings, Goodwill, &c., would be kept in the Head Office Ledger only ; also the totals of the Debtors, Creditors and Stock, the amounts of which three a/cs. would either be absolutely extinguished or materially reduced by the transfers to the respective Branch Adjustment A/cs. in the Head Office Ledger. When there are such *fixed assets* as " Furniture & Fittings " at each Branch, a separate a/c. must be opened in the *Head Office Ledger* for each Branch, so that the depreciations and additions may be clearly shown. On depreciating an asset in the *Head Office Books* the Journal entry would be : " Branch A/c. Dr. to Asset A/c." while in the *Branch Books* the Journal record would be : " Depreciation A/c. Dr. to Head Office A/c."

488. The **Branch Cash Book** *total* Receipts should be debited and *total* payments credited to Head Office A/c. when all cash is passed through the bank. As the C.B. merely contains a record of sums paid to or received from the Head Office, it does not need balancing.

489. In **transferring goods** from one *Branch to another* it is advisable to record the transfer in all three sets of books, and thus avoid the necessity of the Branches keeping a/cs. with each other. Suppose that the York Branch transfers goods to Selby, the entry in the *Head Office Books* would be " Selby Branch Dr. to York Branch " ; in the *York Branch Books* enter : " Head Office A/c. Dr. To Purchases A/c." ; and in the *Selby Branch Books* enter : " Purchases A/c. Dr. to Head Office A/c."

WEEKLY CASH SHEET.

.....Branch.

Statement for week ending.....19....

Date.	Receipts.	£	s.	d.	Date.	Payments.	£	s.	d.
	Monday.....					By Bank			
	Tuesday					„ „			
	Wednesday...					„ „			
	Thursday					„ „			
	Friday					„ „			
	Saturday.....					„ „			
	Total for week £					*Total Bank* £			
						By Wages as list			
						„ Commission			
						„ Petty Cash as below			
						„ Goods Purchased as below			
						„ Advertising and Bill Distributors ..			
		£					£		

Goods Purchased.
(Including refunds to Customers).

Date.	Particulars.	£	s.	d.
	Total £			

Petty Cash Expenses.

Date.	Particulars.	£	s.	d.
	Total £			

Change kept at Branch £ *Manager's Signature* .....

SPECIMEN STOCK A/c. — Wakefield Branch.

Weekly Stock Summary.	Date.	Clothing. £ s. d.	Boots. £ s. d.	Hats. £ s. d.	Total. £ s. d.		Total Sales for week. £ s. d.
Amount of Stock on Monday	1926 Jan. 2	1051 1 2	752 2 10	304 3 4	2107 7 4	Clothing	68 16 11
Add Goods received during week		70 5 –	62 7 4	23 2 –	155 14 4		
		1121 6 2	814 10 2	327 5 4	2263 1 8	Boots.....	56 18 –
Deduct Returns and Transfers ..		3 17 5			3 17 5		
		1117 8 9	814 10 2	327 5 4	2259 4 3	Hats	27 19 –
Deduct Sales for week.....		68 16 11	56 18 –	27 19 –	153 13 11		
Amount of Stock on Saturday	Jan. 7	£1048 11 10	£757 12 2	£299 6 4	£2105 10 4	Total for Week	£153 13 11

I acknowledge having received for your account the amount of Goods stated above, and certify that the Stock now upon the premises, as per my books, amounts to *Two Thousand One Hundred and Five* Pounds, *Ten* Shillings, and *Four* Pence, at Selling Prices, as stated above.

Date, *7th January, 1926.*

RICHARD ROBINS, *Manager.*

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Wakefield Branch. ASSISTANTS' WEEKLY AVERAGES. *Week ending..... 19...*

Name of Assistant.	Number of Checks used. M.	T.	W.	Th.	F.	S.	Total for Week.	Cash taken. £	s.	d.	Average per Customer.	Salary of Assistant.	Percentage of Salary to Sales.	Remarks.

490. In **balancing,** each Branch prepares its own T.B., Trading, P. & L. A/cs. and B/S., transferring the profit shown to the *credit* of the Head Office Adjustment or Current A/c.; the balance of the latter appearing in the Branch B/S., as a liability and thus representing the Capital of the Branch. The **total** of the **Branch Assets,** *minus* the *total* of the *Branch Creditors,* should equal the **balance** of the **Branch A/c.** In the *Head Office Books* the amount representing the profit of each Branch should be *debited* to the Branch Adjustment or Current A/c. and *credited* to a summarised P. & L. A/c.

Example I.

Dr. **Head Office A/c.** in the **York Branch Ledger.** **Cr.**

1924.		£	1924.		£	£
July 1	To Sundry Creditors ...	1085	July 1	By Sundry Debtors	1500	
„ 1	„ Cash paid into Bank by Branch	1250	„ 1	„ Fixtures	105	
to Dec.31			„ 1	„ Stock of Goods .	700	
„ 31	„ Returns.....	45	„ 1	„ Cash in hand ..	20	2325
„ 31	„ *Balance c/d.*	1545	„ 1 to Dec.31	„ Goods received from Head Office		966
			„ 31	„ General Expenses ..		100
			„ 31	„ Depreciation		5
			„ 31	„ *Transfer to P.& L.A/c.*		529
		£3925				£3925
			1925. Jan. 1	By Balance.....b/d		1545

York Current or **Branch A/c.** in **Head Office Ledger.**

Dr. **Cr.**

1924.		£	£	1924.		£
July 1	To Sundry Debtors	1500		July 1	By Sundry Creditors ...	1085
„ 1	„ Fixtures	105		„ 1 to Dec.31	„ Cash paid into Bank by Branch	1250
„ 1	„ Stock of Goods .	700				
„ 1	„ Cash in hand ..	20	2325	„ 31	„ Returns	45
„ 1 to Dec.31	„ Goods received from Head Office		966	„ 31	„ *Balance c/d.*	1545
„ 31	„ General Expenses ..		100			
„ 31	„ Depreciation		5			
„ 31	*Transfer to P.&L.A/c.*		529			
			£3925			£3925
1925. Jan. 1	To Balance .....b/d		1545			

Trading and Profit & Loss A/c. for the half-year ended 31st December, 1924.

Dr. **Cr.**

	Head Office.	York Branch.	Total.		Head Office.	York Branch.	Total.
	£	£	£		£	£	£
To Stock	1800	700	2500	By Sales ..	5049	1500	6549
„ Purchases	3415	966	4381	„ STOCK.	2000	800	2800
„ General Expenses	415	100	515				
„ Depreciation ...	10	5	15				
„ NET PROFIT .	1409	529	1938				
	£7049	£2300	£9349		£7049	£2300	£9349

Balance Sheet on 31st December, 1924.

Liabilities.		£	**Assets.**		£
SUNDRY CREDITORS :—			Cash :—		
Head Office	£2357		Head Office	£900	
York Branch	1100	3457	York Branch	50	950
CAPITAL, 1st July, 1924	£5000		Sundry Debtors :—		
Add Net Profit	1938	6938	Head Office	£2100	
			York Branch	1695	3795
			Stock :—		
			Head Office	£2000	
			York Branch	800	2800
			Premises		2500
			Fixtures :—		
			Head Office £260		
			Less Depreciation 10		
				250	
			York Branch 105		
			Less Depreciation 5	100	350
	£	10395		£	10395

Example 2.—Hepworth & Co., of Bradford, send to their Branches at Leeds and Hull, goods at selling price. Except the Sales Ledgers, the whole of the A/cs. are kept at the Head Office at Bradford. From the following particulars prepare the Branch A/cs. in the Head Office books.

	Leeds Branch.	Hull Branch.
Cash in Hand	£36	£20
Stock at selling price, 1st July, 1926 ..	4000	2800
Sundry Debtors, 1st July, 1926.....	1500	1080
Goods received from Head Office	30000	20000
Returns to Head Office	400	240
Goods sold on credit	19640	12780
Goods sold for Cash	10300	6642

Payments by Sundry Debtors	£19230	£12384
Allowed to Sundry Debtors for Discount ..	320	214
Trade Expenses	230	152
Wages and Salaries	1240	980
Rent, Rates & Insurance	650	380
Bad Debts	210	82
Difference between Cost and Selling Price	236	152

Head Office figures as follows :—Stock, 1st July, 1926, at cost, £15200 ; Stock, 31st December, 1926, £13800 ; Cash in hand, £44 ; Cash at Bank, £3280 ; Purchases, £27242 ; Capital A/c., £19604 ; Wages and Salaries, £2040 ; Rent, Rates & Insurance, £698 ; Trade Expenses, £840 ; Discount received, £528 ; Sundry Creditors, £4864 ; Freehold Premises, £10400 ; Fittings & Fixtures, £6240 ; Depreciation, £1300.

Dr. **Sundry Debtors' A/c.** **Cr.**

	Leeds Branch	Hull Branch		Leeds Branch	Hull Branch
To Balance, 1st July *b/f*	£1500	£1080	By Cash	£19230	£12384
„ Sales on Credit	19640	12780	„ Discount.....	320	214
			„ Bad Debts ..	210	82
			„ *Balance ...c/f*	1380	1180
	£21140	£13860		£21140	£13860

Expenses Journal.

	Wages & Salaries.	Trade Expenses.	Rent, Rates & Insurance	Discount.	Bad Debts.	Depreciation.
Head Office .	£2040	£840	£698			£1300
Leeds.....	1240	230	650	£320	£210	
Hull	980	152	380	214	82	
	£4260	£1222	£1728	£534	£292	£1300

Branch A/cs. in the **Head Office Books** for the half-year ended 31st December, 1926.

Dr. **Cr.**

	Leeds Branch.	Hull Branch.		Leeds Branch.	Hull Branch.
	£	£		£	£
To Stock, 1st July	4000	2800	By Sales on Credit ...	19640	12780
„ Goods	30000	20000	„ Sales for Cash ...	10300	6642
			„ Returns to H.O...	400	240
			„ Difference between Cost & Selling Price	236	152
			„ STOCK, 31st Dec.	3424	2986
	£34000	£22800		£34000	£22800

Trading & Profit & Loss A/c.

Dr. for the half-year ended 31st December, 1926. **Cr.**

To Stock, 1st July	£15200		By Sales—		
„ Purchases	27242		Leeds Branch ..£29940		
„ GROSS PROFIT c/d. ...	20720		Hull Branch ... 19422		£49362
			„ STOCK, 31st Dec.		13800
	£63162				£63162
To Wages and Salaries	£4260		By Gross Profit b/d.		£20720
„ Rent, Rates & Insurance	1728		„ Discount received		528
„ Trade Expenses	1222				
„ Discount allowed.....	534				
„ Bad Debts	292				
„ Depreciation	1300				
„ NET PROFIT	11912				
	£21248				£21248

BALANCE SHEET on 31st December, 1926.

Liabilities.	£	£	Assets.	£	£
Sundry Creditors		4864	Cash in hand :—		
CAPITAL A/c.,			Head Office £44		
1st July, 1926 . £19604			Leeds Branch... 36		
Add Net Profit for			Hull Branch ... 20	£100	
half-year 11912		31516			
			Cash at Bank	3280	3380
			Sundry Debtors :—		
			Leeds Branch.....	1380	
			Hull Branch	1180	2560
			Stock		13800
			Freehold Premises.....		10400
			Fittings & Fixtures.....		6240
		£36380			£36380

Example 3.—The Head Office of Taylor & Co., of Sheffield, send to their two local branches, goods at cost price, the cash received being paid to the Head Office daily. Prepare Profit & Loss A/cs. for the two Branches for the half-year ended 30th June, 1926, from the following particulars :—

	Albert Road.	Petre Street.
Stock, 1st January, 1926	£760	£645
Goods received from Head Office, less Returns	5340	4235
Stock, 30th June, 1926	630	870
Cash paid to Head Office	7300	6550
Rent, Rates and Insurance	260	210
Wages and Expenses	440	325
Sundry Debtors, 1st January, 1926 ...	100	85
Sundry Debtors, 30th June, 1926	95	80

Albert Road Branch Profit & Loss A/c.

Dr. for the half-year ended 30th June, 1926. **Cr.**

1926		£	£	1926		£	£
Jan. 1	To Stock	£760		June 30	By Cash		7300
,, 1	,, Sundry Debtors ...	100	860	,, 30	,, *Stock c/d.*	£630	
				,, 30	,, *Sundry Debtors c/d.*	95	725
June 30	,, Goods from H.O.....		5340				
,, 30	,, Rent, Rates & Insurance		260				
,, 30	,, Wages and Expenses ...		440				
,, 30	,, NET PROFIT		1125				
		£	8025			£	8025
1926							
July 1	To Stock b/d.....	£630					
,, 1	,, Sundry Debtors b/d.	95	725				

Petre Street Branch Profit & Loss A/c.

Dr. for the half-year ended 30th June, 1926. **Cr.**

1926		£	£	1926		£	£
Jan. 1	To Stock	£645		June 30	By Cash		6550
,, 1	,, Sundry Debtors ...	85	730	,, 30	,, *Stock c/d.*	£870	
				,, 30	,, *Sundry Debtors c/d.*	80	950
June 30	,, Goods from H.O.....		4235				
,, 30	,, Rent, Rates & Insurance		210				
,, 30	,, Wages and Expenses ...		325				
,, 30	,, NET PROFIT		2000				
		£	7500			£	7500
1926							
July 1	To Stock b/d.....	£870					
,, 1	,, Sundry Debtors b/d.	80	950				

Example 4.—H. Crossley & Co. have a Head Office which acts as a distributing centre to their two Branches, where all Sales are made. All Purchases are made by the Head Office, and goods are charged out to the Branches at selling price. All Expenses are paid by the Head Office, where the books are kept, except the Sales Ledgers, which are kept at the Branches. The Head Office, however, keeps Total Debtors' A/c. in respect of these. On taking Stock at the Sheffield Branch at selling price, it was found that the actual Stock was short by £24, compared with the balance of the Stock A/c. In the same way the actual Stock at the Glasgow Branch was greater by £14 than the balance on their Stock A/c. It was decided to write off these differences. From the particulars given, write up the Branch A/cs. in the Head Office Books, and prepare Trading and Profit & Loss A/cs. for the year ending 31st December, 1926, and Balance Sheet as at that date.

Accounts.	*Head Office.*	*Sheffield Branch.*	*Glasgow Branch.*
	£	£	£
Stock at Selling Price, 1st Jan., 1926		4000	2800
Goods sent to Branches		30000	20000
Goods sold on Credit		19640	12780
Goods sold for Cash		10300	6642
Goods returned to Head Office		400	240
Allowances off Selling Price		236	152
Debtors at 1st January, 1926		1500	1080
Cash received from Debtors		19230	12384
Discounts allowed to Debtors		220	214
Bad Debts		210	82
Stock, 1st Jan., at H.O. and Branches	15200		
Ditto, 31st December, 1926	13800		
Purchases	27242		
Salaries	2040	1240	980
Trade Expenses	840	230	152
Rent, Rates & Taxes	698	650	380
Depreciation	1300		
Discounts Received	528		
Creditors	4864		
H. Crossley, Capital A/c	29884		
H. Crossley, Drawing A/c.	10280		
Leasehold Premises	10400		
Fixtures & Fittings	6240		
Cash at Bank	3280		
Cash in hand	44	36	20

Branch A/cs. in the **Head Office Books**

Dr. for the year ended 31st December, 1926. **Cr.**

	Sheffield Branch.	Glasgow Branch.		Sheffield Branch.	Glasgow Branch.
	£	£		£	£
To Stock, 1st Jan.	4000	2800	By Sales on Credit	19640	12780
„ Goods from H.O.	30000	20000	„ Sales for Cash	10300	6642
„ Difference in Stock		14	„ Returns to H.O.	400	240
			„ Difference between Cost and Selling Price	236	152
			„ Difference in Stock	24	
			„ STOCK, 31st December *c/f.*	3400	3000
	£34000	£22814		£34000	£22814

Dr. **Sundry Debtors A/c.** **Cr.**

	S.B.	G.B.		S.B.	G.B.
	£	£		£	£
To Balance, 1st Jan.	1500	1080	By Cash	19230	12384
„ Sales on Credit	19640	12780	„ Discount	320	214
			„ Bad Debts	210	82
			„ *Balance c/f.*	1380	1180
	£21140	£13860		£21140	£13860

Trading and Profit & Loss A/c.

of H. CROSSLEY & Co., for the year ended 31st December, 1926.

Dr.	£	£	Cr.	£	£
To Stock, 1st Jan.		15200	By Sales :—		
„ Purchases		27242	Sheffield Branch	29940	
„ GROSS PROFIT		20720	Glasgow Branch	19422	
					49362
			„ STOCK, 31st Dec.		13800
		£63162			£63162
To Salaries :—			By Gross Profit		20720
Head Office	2040		„ Discount Received		528
Sheffield Branch	1240				
Glasgow Branch	980				
		4260			
Trade Exs. :—					
Head Office	840				
Sheffield Branch	230				
Glasgow Branch	152				
		1222			
„ Rent, Rates & Taxes :—					
Head Office	698				
Sheffield Branch	650				
Glasgow Branch	380				
		1728			
„ Discount Allowed :—					
Sheffield Branch	320				
Glasgow Branch	214				
		534			
„ Bad Debts :—					
Sheffield Branch	210				
Glasgow Branch	82				
		292			
„ Depreciation		1300			
„ NET PROFIT		11912			
		£21248			£21248

BALANCE SHEET of H. CROSSLEY & Co., on 31st December, 1926.

Liabilities.	£	£	Assets.	£	£
Sundry Creditors		4864	Leasehold Premises		10400
			Fixtures and Fittings		6240
CAPITAL A/c. :—	£		Stock		13800
1st Jan., 1926	29884		Sundry Debtors :—	£	
Add Profit	11912		Sheffield Branch	1380	
	41796		Glasgow Branch	1180	
					2560
Less Drawings	10280		Cash—At Bank	3280	
		31516	In Hand :—		
			Head Office	£44	
			Sheffield Branch	36	
			Glasgow Branch	20	
				100	
					3380
		£36380			£36380

Example 5.—The following are Trial Balances of the Head Office and Derby Branch, respectively, of a business at 31st December, 1926. Prepare amalgamated Balance Sheet, and show the Derby Current Account in the Head Office books.

	Head Office.		Derby Branch.	
	Dr.	Cr.	Dr.	Cr.
	£	£	£	£
Share Capital		21000		
P. & L. A/c. 1st January, 1926		530		
P. & L. A/c. Profit for year		6200		1900
Goodwill	5000			
Stock	6500		3200	
Sundry Debtors	7300		4100	
Sundry Creditors		3100		1600
Cash	2100		520	
Plant and Machinery	4300		1700	
Reserve for Bad Debts		250		140
Goods sent to Branch	1500			1500
Cash sent to Head Office		2000	2000	
Branch A/c. 1st January, 1926	6380			6380

Dr. Derby Branch A/c. in Head Office Books. Cr.

1926		£	1926		£
Jan. 1	To Balance	6380	Dec.31	By Cash	2000
Dec.31	,, Goods	1500		,, Balance	7780
	,, *Transfer to P. & L. A/c.*	1900			
		£9780			£9780
1927					
Jan. 1	To Balance	£7780			

BALANCE SHEET on 31st December, 1926.

Liabilities.		£	Assets.		£
Share Capital:—			Goodwill		5000
21000 Shares of £1 ea. fully paid		21000	Plant & Machinery :—		
Sundry Creditors :—			Head Office	£4300	
Head Office	£3100		Derby	1700	6000
Derby	1600	4700	Stock :—		
PROFIT & LOSS A/c. :—			Head Office	6500	
Balance on 1st Jan.	530		Derby	3200	9700
Add Profit for year	8100	8630	Sundry Debtors :—		
			Head Office	£7300	
			Less Reserve	250	7050
			Derby	4100	
			Less Reserve	140	3960 11010
			Cash :—		
			Head Office	2100	
			Derby	520	2620
		£34330			£34330

BRANCH EXERCISE 1. (*Departmental Method.*)

John Woollen and Alfred Worsted were in partnership as wholesale clothiers, and also had retail shops at Pudsey and Bradford. Separate a/cs. of the factory and branches must be kept. On 1st Jan., 1904, the following balances were standing in their books :—Cash £71 18 4 ; Bank overdrawn, £231 17 6. Plant and Machinery at factory, £2000 ; Fittings, &c., at factory £700 ; Bradford, £80 ; Pudsey, £40. The factory owed A. Archer £500, and Sundry Persons £300 – 10 for goods supplied. There was owing for goods supplied by the factory to sundry persons £800. Stocks :—Factory £900, Bradford, £280, Pudsey, £160. Capital owned and profits divided in the following proportions :—J. Woollen two-thirds and A. Worsted one-third. Open books, post, raise Trading A/cs., P. & L. A/cs., and B/S.

Jan., 1904.		£	s.	d.
2.	Goods forwarded from factory to (B) £84 ; to (P)	50	–	–
7.	Sent from factory to sundry persons on a/c. of (B)	12	–	–
11.	Goods returned from (B) and forwarded to (P)	25	17	–
	Carr. pd. by (B) chargeable ½ to facty. & ½ to (P)	1	7	–
12.	Recd. from sundry persons. Cheques £126 2 6, P.O.'s £25 17 6, Dis. allowed £8 1	160	1	–
	Paid into Bank	150	–	–
13.	Paid sundry persons—By cheques £29 15 –, by P.O's £7 5 –. Dis. £1 19 –	38	19	–
14.	Goods bought from A. Archer (factory)	220	–	–
	Paid A. Archer cheque, £292 10 –, discount ...	7	10	–
	Drew £140 from Bank and paid wages at factory	129	18	10
16.	Bot. goods from C. Coates, value £35, which were forwarded direct to branches and invoiced to them as follows : (B) £29 10 – ; (P) £10 10 –	40	–	–
19.	Received note from (B) for goods returned to C. Coates amounting at factory invoice price to £9 19 – (the cost price being £8 15 –) carriage paid on same by (B) £1 0 6, chargeable to Coates			
	Forwarded goods to branches from factory (B) £184 17 4, (P) £65 19 10	250	17	2
20.	Sold sundry persons from factory, goods	317	15	4
22.	Goods supplied from (B) to sundry persons on a/c. of factory	27	10	8
28.	Drew £100 from Bank and paid factory wages	131	19	3
30.	Received statement of cash sales from branches : (B) £360 3 2, (P) £264 19 – from which the following payments must be deducted for salaries, rents, &c., (B) £27 10 –, (P) £19 17 6	47	7	6
	Received balances of cash. Paid into Bank ..	580	–	–
	Received carriage a/c. for month (payable on Feb. 6th) two-fifths chargeable to factory, two-fifths to (B), one-fifth to (P)	25	15	–
	Interest on Capital at 5% to be allowed.			

Stocks at factory, £950 ; *B.* £310 ; *P.* £140. (*Ans. next page.*)

Answer.—*Profit : Factory*, £275 10 11 ; *Bradford*, £119 14 – ; *Pudsey*, £66 18 2 ; *Net*, £446 17 9 ; *Cap., J. W.* £2975 14 1 ; *A. W.*, £1487 17 – ; *Total of B/S.*, £5259 14 11.

BRANCH EXERCISE 2. (*Separate Books at Branch.*)

A Leeds firm have a branch at Halifax, the following being the opening balances of the branch. Enter these and the transactions in the Branch Books which complete ; cheques being drawn by the branch on the Head Office Bank A/c. when making payments. 1st Jan., 1906.

Sundry Creditors :—		Stock in hand	£150
Walter Smith	£20	Sundry Debtors :—	
B. Addy	10	Thomas Jones	£10
Tom Field	5	Herbert Ford	15
Ernest Williams	10	John Hill	20
	45	William Teal	15
Head Office A/c.	165		60

Jan. 2.	Received Goods from Tom Field		£30
	Sold Thomas Jones, Goods		10
,, 6.	Received Cash from Thomas Jones		10
,, 8.	Sent Cheque to Tom Field		20
,, 20.	Sold Goods to William Teal		37
,, 20.	Sold Goods to Ernest Williams		5
,, 20.	Sent Cheque to Walter Smith		15
,, 29.	Received Cash from William Teal		37
,, 29.	Received Cash from Ernest Williams		5
,, 31.	*Stock in hand*, £145.		

Answer.—*Branch Profit*, £17 ; *H. O. Bal.* £165 ; *Total B/S.* £205.

BRANCH EXERCISE 3.

A South Wales Provision Merchant has several branches which are supplied from the Head Office. Each Branch has its own Sales Ledger, and hands over the total amount of cash received to the Head Office every day. In the invoices for the goods supplied by the Head Office to the Branches, 25% is added to the cost. All expenses are paid from the Head Office. From the following transactions of the Branches raise the Ledger A/cs. in the Head Office Books, and prepare an a/c. showing gross profit :—

	Cardiff.	Newport.	Bridgend.
Goods received from Head Office ..	£5500	£4500	£3500
Total Sales	5200	4300	3100
Cash Sales	2750	2250	1650
Cash received on Ledger Accounts	2250	1850	1250
Debtors at commencement	1555	1665	1350
Debtors at close	1755	1865	1550
Stock at commencement	750	650	450
Stock at close	1060	960	760

Answer.—*Profit, Cardiff* £1048 ; *Newport* £948 ; *Bridgend* £548.

Exercises 101 to 109g, which were examination papers set by the West Riding County Council, have been omitted in this edition, as the W.R.C.C. ceased to hold public examinations 14 years ago. It was thought advisable to use the space thus saved for the more **recent examination papers** of the **Royal Society of Arts** and the **London Chamber of Commerce**, as these are typical of the most modern requirements.

Exercise 110.

Prepare Net Revenue A/c., Appropriation A/c., and B/S. of Messrs. Evans & Owen, Ltd., Drapers, as on the 20th Feb., 1908. Please note that the balance of the Pref. Shares was issued during the current year, and that the dividend stated below is the sum actually paid. The debentures were repaid during the year.

Paid Interest on debentures, deposits, etc.	£737	15	8
Reserve Fund	10632	–	10
Interim dividends paid for the half-year to 20th Aug. 1907—At the rate of 5% on the preference shares	550	–	–
At the rate of 7½% on the ordinary shares	1800	–	–
Goodwill at £20000, Horses & Vans	158	7	8
Sundry Creditors	2528	10	11
Depreciation written off fixtures & fittings	337	–	–
Share Cap. £100,000 issued 8000 £5 5% pref. shares	40000	–	–
12,000 £5 ordinary shares, £4 paid	48000	–	–
Gross Profit from Trading A/c. after charging £500 for Reserve on Book Debts	8460	4	1
Dividends declared for the half-year to 20 Feb.,1908— At the rate of 5% on preference shares	861	7	4
At the rate of 7½% and a bonus at the rate of 2½% on the ordinary shares	2400	–	–
Res. for the equalisation of dividends out of profits	500	–	–
Directors' & auditors' fees & secretary's salary paid	420	–	–
Rents received £53 10 ; Cash in Bank and on hand	7248	6	9
Fixtures and Fittings, per last account	6529	12	10
Added this year	210	7	1
Stock of goods and book debts.....	30666	18	–
Addition to reserve out of this year's profits	500	–	–
Shop Assistants' deposits and interest thereon ...	1083	18	10
Transfer and registration fees received	5	1	6
Leasehold and freehold premises	42941	18	2
Directors' fees, one-sixth of balance, after providing for dividends in accordance with the articles..	335	8	9

Answer.—*Net Profit*, £7023 19 11 ; *Balance c/f.*, £77 3 10.

Exercise 111.

Prepare P/L. A/c., Appropriation A/c., and B/S. of Messrs. Jones & Higgins, Ltd., for the year ending 20th February, 1908.

Interest on Debentures (£1657 is unpaid)	£5400	–	–
Cash at Bankers and in hand £6613 16 6; on Deposit	25000	–	–
Appropriate further dividend of 7% for half-year	4550	–	–
Directors' and Manager's share of profits	3250	–	–
Trade Creditors for Goods £114 11 3; Inc. Tax pd.	240	13	7
Freehold and Leasehold premises and goodwill ..	161733	4	4
Fixtures, fittings, furniture, plant, horses and carts	36485	6	–
Sundry creditors £3531 14 10; Deb. Stock (4½%)	120000	–	–
Transfer fees received £62 19 6; Directors' fees..	1250	–	–
Book Debts £2495 6 –, Investments	16086	2	1
Interim Dividend on ordy. shares, paid Oct. 1907	4550	–	–
Reserve account (General)	4199	15	9
Res. A/c. (for profits earned prior to incorporation)	3629	–	10
Reserve A/c. for debenture premium	6000	–	–
Gross Profit from Trading A/c.	29234	19	5
Fire insurance, etc., paid in advance (B/S. only)	1287	8	9
Bal. from P. & L. A/c. 1907, £1300; Stock at cost	38588	4	4
130,000 Ordinary Shares £1 each, fully paid	130000	–	–
Place to Debenture Prem. Reserve out of profits.	2240	14	6
Place to General Reserve A/c. out of profits	3250	–	–
Ordinary Shares take bonus at 6d. per share	3250	–	–

Answer.—*Net Profit*, £22407 5 4; *Balance c/f.* £2616 10 10. *Total of B/S.* £288289 8 –.

Exercise 112.

Prepare P/L. A/c., Appropriation of Profit A/c. and B/S. of D. H. Evans & Co., Ltd., for the year ending 19th Feb., 1908.

General expenditure including directors', trustees', and auditors' fees £48800 4 5. Reserve Fund	£3696	17	7
Repairs, renewals, and depreciation of fixtures, &c.	3488	–	6
Property leases and goodwill, including purchase & outlay on new premises, as per last account ..	268862	14	1
Additional outlay for year	3190	11	3
Fixtures, fittings & electric plant, after depreciation	35845	19	1
Cash in hand and at bankers	21752	18	11
Cap.—Authorised £282,000; Issued Ordy. Shares	120000	–	–
Preference shares paid up	80000	–	–
Preference shares 10/- called up	40000	–	–
Founders' shares	2000	–	–
Less calls in arrear on new preference shares	536	15	–
Undivided profits from last year's a/c.: Ordy. Shs.	1035	17	6
Founders' shares	635	17	6
Debenture redemption fund Cr. Balance	549	–	9

Furniture & Effects, after depreciations	£3150	3	5
Stocks on hand—General £77343 1 8 ; Stationery	392	3	4
Preliminary expenses a/c., Dr. Balance b/f.	974	12	9
Less proportion written off	487	6	4
Amt. of interim divs. paid, viz. :—3½% on Ordy. Shs.	4200	–	–
3% on £80000 preference shares	2400	–	–
Bal. of 3% on pref. shares making 6% for the year	2400	–	–
6% per ann. on amount called up and pd. upon new preference shares	429	10	–
Further div. on Ordy. shs. at 8½% making 12% per ann.	10200	–	–
Placed to Reserve Fund out of current profits ..	1834	11	5
Debentures at 4½%	100000	–	–
Interest on debentures, mortgage, and loans paid	6552	8	4
Charge to P. & L. A/c. Debenture redemption fund, which amount is handed to Trustees for investment	835	–	–
Transfer fees rec. £116 1 6 ; Creditors	35215	3	5
Sundry Drs. after allowing for bad & doubtful debts	26946	5	–
Gross Profit on Trading £89569 12 6 ; Mortgage	30000	–	–
Prem. on sale of new pref. shs. (*Place to P. & L.A/c.*)	2452	7	–
Dividend declared on founders' shs. at £3 per share	6000	–	–
Proportion of profit carried forward to credit of ordy. shares	3291	7	6
Proport'n of profit carried to credit of founders' shs.	2891	7	6

Answer.—*Net Profit* £31975 1 5. *Total of B/S.* £438806 3 2.

Exercise 113.

From the following prepare P/L. A/c. and B/S. of Messrs. Swan & Edgar, Ltd., for the year ending 31st January, 1908.

69,000 ordinary shares at £1 each	£69000	–	–
Rents, rates, taxes, gas & water	4408	15	6
Mortgage redemption a/c., Dr. Balance	6868	2	6
Suspense a/c., Dr. Balance	813	1	4
31,000 preference shares of £1 each ; Consols 2½%	1000	–	–
Gross profit on tradg. after making reserve on debts	46825	1	4
Insurance, &c., unexpired £605 17 3 ; Mortgage	26500	–	–
Leases, fixtures, fittings, alterations and improvements a/c. as on 31st January, 1907	85175	8	2
Additions since	5126	14	8
Less written off for the past year	2000	–	–
Stable expenses £1263 – 8 ; Trade expenses	11702	11	10
Fire insurance, premiums paid	445	11	6
Paid Interest on Mortgage	1325	–	–
Sundry trade debts due by Company.....	22120	4	2
Horses and Vans, as per valuation	554	–	–
Stock-in-trade 31st January, 1908	35970	8	9
Directors' fees £600 ; Audit fee	78	15	–
Sundry book debts, after deducting reserve of £1000	13603	4	9

Cash in hand and at bank	£8926	18	8
Housekeeping expenses, salaries, wages & repairs	17339	10	9
Paid interest on loans £242 18 – ; Transfer fee recd.	45	5	–
Div. paid on preference shares to 31st July, 1907	568	10	6
Undivided profit b/f. from last a/c.	1127	19	4

Answer.—*Net Profit* £7464 3 1 ; *Undivided Profit* £8023 11 11 ; *Total of B/S.* £156643 16 1.

Exercise 114.

Prepare Trading, P. & L. A/cs. and B/S. of the Transvaal Gold Mining Estates, Limited, on 31st March, 1908.

Property £437552 5 11 ; Premium on Shares issued	£101750	–	–
Works, buildings and machinery.....	217800	18	9
Movable Plant £7279 6 2 ; Tree-planting	1502	11	10
640,000 shares of £1 each	640000	–	–
Less reserve shares unissued	35775	–	–
Sundry Creditors £15,021 9 5 ; Office Furniture..	315	9	11
Machinery suspense account Dr. balance.....	196	13	2
Plans and Diagrams valued at	135	7	–
Mine development, 194,050 tons in sight valued at	68670	–	6
Ore on hand, 9732 tons, cost	8059	6	3
Expenses of mining, 58,067 tons	64251	4	10
Expenses of milling, 68,877 tons	9443	–	2
Expenses of cyaniding, 37,034 tons	13023	1	10
Expenses of tramming, 51,413 tons	6993	1	5
Stores on hand and in transit	15254	17	6
Bearer Share Warrants received but not cashed	533	15	10
Bullion on hand and in transit	67120	13	9
Less advance on same	43200	–	–
Debtors £809 1 10 ; Cash on hand and at Bank	27158	1	4
Wages at Mine £3955 ; General charges at Mine	5501	–	11
Claim expenses £2108 15 10 ; Prospecting Exs.	1508	3	6
Head Office expenses :—			
Salaries £1468 6 8 ; Stationery and Printing	152	16	6
General expenses £3355 11 8 ; Legal exs. ...	55	7	–
Directors' Fees £1000 ; London & Paris exs.	2132	8	1
Bullion produced 41416 ozs.	173226	6	2
Clewer Tailings produced	1438	7	8
Brown's hill tailings produced	676	12	6
General revenue £3132 16 11 ; Concession rents paid	650	–	–
Balance from last year £29702 18 ; Royalties paid	4920	18	4
Depreciation on works, machy. and movable plant	4372	18	9

Answer.—*Net Profit* £54116 3 7 ; *Undivided Profit* £83819 1 7 ; *Total of B/S.* £804815 11 –.

Exercise 115. (Banking.)

Prepare P/L., Appropriation A/c. and B/S. (similar to the specimen given in the Appendix) of the Commercial Banking Co., Sydney, for the half-year ending 31st Dec., 1907. Cap. £1000000 ;

Reserve Fund £1010000 ; Coin and Bullion in hand £1999692 9 5 ; Cash at Bankers £215768 10 4 ; Amount undivided from last half-year £15256 19 5 ; Transferred to Dividend A/c. for payment of a div. for past half-year at the rate of 8% per ann. £40000 ; Notes in circulation £416617 ; Bills in circulation £577960 8 ; Deposits and other liabilities £9699943 9 10 ; Gross Profit for half-year ended 31st Dec., £45996 13 3 ; Government Securities £1009499 ; Queensland Government Notes £48103 ; Rebate on current bills £5846 11 7 ; Remittances in transit £472353 12 7 ; Notes and Bills of other Banks £33300 13 9 ; Bills discounted and all debts due to Bank £8583772 4 5 ; Premises & Furniture £403285.

Answer.—*Net Profit* £40150 1 8 ; *Undivided Profit* £55407 1 1 ; *Total of B/S.* £12765774 10 6.

Exercise 116.

Prepare Trading, P/L. A/c. and B/S. of the May Consolidated Gold Mining Co., Ltd., on 31st December, 1907. The amount of the depreciation has been deducted from the assets.

Value of Claims	£179201	10	6
Shafts :—Main Incline Shaft, 1015 ft.	10054	–	–
May Shaft, 917 ft.	1054	–	–
Reservoir & Dams £7675 19 1 ; Capital	275000	–	–
Sundry Creditors	9184	4	11
Owing to the Rand Native Labour Associat'n, Ltd.	59	–	–
Buildings £15228 ; Plant	29698	11	3
Reduction Works—Battery (100 Head) Cyanide Works	62899	14	6
Native Wages Suspense A/c. (amt. due to Natives)	2165	10	–
Overdraft to De-Nationale Bank	32545	–	–
Furniture & Fittings £407 ; Gold in transit	13714	6	5
Unexpired value of Accident Insurance Premium	58	12	3
Ditto. Fire Insurance Premium	153	8	7
Bal. brought forward from 31st December, 1906	4046	13	2
Rents collected £400 ; Depreciation	20047	3	4
Div. received on Rand Mutual Assurance Shares	276	–	–
Transfer Fees (London Office)	119	3	–
Due from London and Berlin Agents	548	–	4
Sundry Debtors £449 9 – ; Stores on hand	5723	7	10
Working Costs :—Quartz Winning	78503	8	11
Hauling & Pumping £18786 10 ; Crushing & Sorting	4828	8	7
Transport of Quartz £2707 9 8 ; Milling	34335	4	9
Cyanide Exs. £22254 18 9 ; Mine Developmt. Exs.	24375	5	10
Gold produced at :—Battery	138787	8	4
Ditto Cyanide Works	70692	8	–
Cash in hand for Dividends outstanding	330	1	10
Investments £545 ; Cash at Mine	25	17	10

Answer.—*Gross* £23688 9 10 ; *Net* £4436 9 6 ; *B/S.* £327766 19 5.

Exercise 117.

Prepare P/L. A/c., Appropriation A/c. and B/S. of the Punctured Tyre Co., Ltd., for the year ending 31st March, 1908. 1,000,000 Pref., 1,000,000 Ord., 2,000,000 Deferred Shares, all of £1 each.

Unpaid Calls	£831	–	–
10000 Debs. £100 each	1000000	–	–
Debenture Purchases & held in reserve by Co.	452800	–	–
Patent Rights & Goodw'l	1426285	1	8
Debtors	352272	4	10
General Reserve	250000	–	–
Creditors, including Bank overdraft	207062	1	11
Stocks on hand	165412	15	8
Investments at cost	406969	18	9
Directors' & Trustees' Fees	3323	6	10
Paid int. on Debs. to 31st March, 1908	22000	–	–
Transferred to Reserve for unpaid rebates	22933	12	4
Freeholds & Leaseholds	65764	13	5
Outlay thereon during yr.	13676	3	1
Cash & Bills at Bankers and on hand	152368	8	4
Bal. from last a/c. after paying Managing Director's commission	£19735	14	1
Portion of profit placed to patent reserve a/c.	50000	–	–
Transfer Fees	2112	2	6
Plant, Machinery, Fittings & Furnishings	31386	18	11
Additional outlay thereon during the year	17765	5	1
Depreciation of Plant, &c.	3138	14	–
Portion of profit placed to special reserve a/c.	50000	–	–
Royalties, net profits on trading, including dividends on investments recd. or accrued, &c.	468510	18	1
Portion of profit placed to general reserve a/c.	70000	–	–

Answer.—*Profit* £442160 19 9; *Appropriation A/c. Bal.* £268963 1 6; *Total of B/S.* £5465327 15 9.

Exercise 118.

Prepare P/L. A/c. and B/S. of the Rochester Electric Lighting Co., Ltd., on 31st Dec., 1908. Cap. subscribed in 2027 shares of £5 each £10135. Cap. allotted under contracts, 1863 shares of £5 each £9315; Creditors for plant, machinery, stores, etc., £1028 – 2.

Salaries paid	£364	6	10
Engine-room wages	227	19	–
Installation & sale of lamps	177	9	3
Meter rents received	61	2	4
Gross amount of charges for electric current	2064	14	6
Due to London & Provincial Bank on Loan	3000	–	–
Value of Buildings	2546	6	11
Main Circuits	4325	16	4
Insurance paid	41	5	–
Unexpired portion	13	17	6
Repairs	354	9	3
Rent, Rates & Taxes	64	6	–
Due to Hy. Jasper bal. of 5% loan	2667	13	6
Due to Hy. Jasper bal. of 6% loan	589	1	11
Paid for coal consumed wharfage and cartage	846	8	4
Overdraft at Bank	1104	13	8
Incidental Expenses	18	13	5
Auditors' Fees	15	15	–
Balance from last year	215	16	10
Engine-room stores consd.	81	4	10
Cash in hand	£4	4	11
Unpaid Cap. on 27 shs. £3	81	–	–
Arrears of Shares Calls	2	10	–
Work in Progress	9315	–	–
Stamps, Stationery, &c., consumed	17	9	1
Dep. of Suspense A/c.	91	2	10
Depreciation of Stores	240	1	9
Value of Plant & Machy.	8410	14	2
Electrical Instruments	399	19	11
Book Debts	1035	18	3
Discount and Allow. made	209	11	6
Wireman's Wages	31	14	3
Stores, Lamps, fittings in stock	374	14	6
Engine-room stores in stock	36	17	6
Coal in stock	20	12	–
Stationery in stock	10	–	–
Electrical stores and fittings consumed	145	14	6
Meters in stock	453	17	10
Arc Lamp Plant	177	–	–
Office Furniture	48	19	11
Interest paid	262	7	3
Tools	102	11	1

Answer.—*Net Loss for year* £695 5 3. *B/S. Deficiency* £479 8 5. *Total of B/S.* £27755 19 3.

Exercise 119.

Prepare a Revenue A/c. and B/S. of the New York and Ohio Mortgage Trust on 31st Dec., 1907. Cap. A/c. £138150, 4% Deb. Stock Issued £138150; cost of property originally purchased £250097 15 6; Investments made during year £25923 16 6, Creditors £25 15; Unclaimed int. and div. £79 14 10; Int. Deb. Stock (less tax) paid £2838 14 6; Accrued £2283 1 6; Interim div. paid 31st July, £690; Income Tax Suspense A/c. Dr. Bal. £57 11 3; Trustees' remuneration £200; Int. received on securities £7974 7 6; Income Tax paid £14 6 5; Transfer fees recd. £58 7 6; General Exs. £385 15 11; Cash at Bank, viz. :—On deposit £4500; on Cap. A/c. £278 8; On Income A/c. £253 2 1; On Interest and Dividend A/c. £79 14 10; Balance from last A/c. £881 – 2.

Answer.—*Net Profit* £2310 16 8; *Undivided Profit* £2501 16 10.

Exercise 120.

Prepare P/L. A/c. and B/S. of the National Discount Co., Ltd., on 31st Dec., 1907. Gross Profits during the half year £87488 3 9; Income Tax paid £740 9 10; Cap. £169333 shares of £5 per share £846665; Reserve Fund £460000; balance b/f. from last a/c. £3361 – 7; Directors' and Auditors' remuneration £2650; Freehold Premises £108465 14 1; Int. due on Deposits, Rebate and Sundry Cr. Bals. £147328 10 2; B/R. discounted on hand £8275541 18 6; Current exs. and salaries £8318 16 2; Interest due on Invests. and Loans and Sundry Dr. bals. £19958 5 3; Liab. on Deposits, Loans, and Bill re-discounted £10414208 4 8; Cash, Consols and other Securities £1961824 5 1; six mos. div. at 11% per ann. on cap. declared, but not paid, £46566 11 6; Loans on call, short and fixed dates £1553361 3 4; Rebate on Int. on Bills not due, carried to new a/c. £28190 6 11.

Answer.—*Net Profit* £47588 10 10; *Undivided Profit* £4382 19 11.

Exercise 121. (Bankruptcy, page 478.) (*C.A. Intermediate.*)

Prepare Statement of Affairs on 9th July, 1906, of the "Sandy Freehold Land Society." Unsecured Crs. £200000; Crs. fully secured £6000; Property held by secured Crs. £12000; Crs. for Rates, Taxes and Wages (preferential) £300; Assets B/E. (good) £22; Book Debts £27000; Good £1000; Doubtful £25000 (produce £2000), Remainder bad; Property £56000; Loans on Mortgage (produce £60000) £170000; Office Furniture, &c., £100; Cash at Bankers £900, at Office £100. **Answer.**—*Deficiency* £74178.

Exercise 122. (Bankruptcy, page 478.) (*C.A. Final.*)

Prepare Statement of Affairs and Deficiency A/c. as on the 10th Oct., 1907, of Wm. Corby. Cash in hand £85; Book Debts £3472, estimated to produce £2869; Unfinished contract in hand, estimated to produce £3000 over and above the cost of completing it; Plant, tools, &c., cost £1880, estimated to realise £500; Office Furniture estimated to realise £25; Stock-in-trade valued at £1900; Investments valued at £6200, of which are deposited with bankers as security for loan £5460; Life policies for £2000

of the estimated surrender value of £1470, subject to advances made by the Insurance Co., amounting to £1420 ; Unsecured Crs. on Trade a/c. £4140 ; Unsecured Crs. for cash advanced £5308 ; W. Smith for two mos. wages due to him as clerk, £30 ; A. Compton, six mos. salary due to him at £15 per month ; Rent recoverable by distress £45 ; Bankers for loans partly secured £10134 (estimated value of securities held by bankers £7460, viz. :—Investments £5460 and Lease £2000) ; Capital A/c. on 1st January, 1907, as shown by the books, £189 ; Loss on Trading from 1st Jan. to 10th Oct., 1907, £374 ; Loss on sale of investments made on 13th June, 1907, £200 ; Drawings £750.

Answer.—*Deficiency* £3118 ; *Total B/S.* £12162.

Exercise 123. (Bankruptcy, page 478.) (*C.A. Final.*)

Prepare Statement of Affairs and Deficiency A/c. of Mr. Alfred Sykes, on 31st Dec., 1908. Good Book Debts in England £6650 ; Doubtful £5000 ; Bad £4500 ; Properties, stock and book debts, in Brazil £32000 ; Warehouse in England £26000 ; Stock in warehouse £1000 ; and at Bleachers' and Finishers' £4750 ; Fixtures, hoist, &c., £500 ; Cash at Bank, £1 ; in hand £5 ; Creditors £65000 ; of which £250 is for wages and taxes, £20000 is in respect of a mortgage on a warehouse building, and £7500 is for bleaching and finishing ; B/P. £14500 ; and there is a liability of £3000 in respect of B/Rs. which, however, is not expected to rank. Assume that stock, doubtful debts, and fixtures in England will realise two-thirds and the properties, stock and book debts abroad one-half of their face value. On 1st Jan., 1904, he had a capital of £30000. After charging int. thereon at the rate of £1500 a year, and paying £800 a year for int. upon the warehouse mortgage, in the first 3 years he made profits of £4200, £3700, and £800 respectively ; and in the last 2 years losses of £6400 and £7894. His withdrawals amounted to £6200 a year.

Answer.—*Deficiency* £21760 13 4.

Exercise 124. (*C.A. Final.*)

Broadbent & Co., Ltd., is formed with a cap. of 20000 shares of £5 each. Of these 15000 are offered for private subscription, £1 per share being payable on application and £1 10 – on allotment. 14000 shares were applied for by the following persons in their respective proportions :—Chas. Norton 1000 shares ; Hy. Onslow 1250 ; Andrew Smith 1000 ; Septimus Dixon 1000 ; Fenwick Robson 1500 ; Leonard Andrews 1500 ; Thos. Hardy 1000 ; Chas. Chater 2000 ; Howard Ingram 3000 ; Robert Reay 750. The directors allot 12500 shares only, no allotment at all being made to Hardy, and 2500 only to Ingram. The deposit made by Hardy is returned to him, and the amount paid on application by Ingram on the shares in excess of the number allotted to him is applied in partial satisfaction of the amount payable on allotment, the bal. being afterwards duly paid. All the other allottees also paid the amount due from them. Two months after the date of allotment a call of £1 10 – per share was made, and paid by all the shareholders, with the exception of Robert Reay. All the sums recd. from applicants and shareholders are paid direct

to the Bankers of the Co. The directors purchased from Brigham & Co. their business, for £80000. The purchase price was paid as follows: £30000 in fully-paid shares of the Company; £20000 in 5% first mortgage debentures; and £30000 in cash. Make necessary Cash Book and Journal entries, post them, and take out a T.B.

Exercise 125. (Income Tax.) (*C.A. Final.*)

Prepare the statement of Smithson & Co. showing the amount on which they should be assessed for income tax under Schedule D for the year 1901-2. The annual rent of the leasehold premises £40 is debited to Trading A/c. which is also debited with amounts paid for income tax—1898, £25; 1899, £35; 1900, £50. The assessments each year under Sch. A have been, in respect of leasehold on £90, and freehold on £300.

Profit and Loss A/c., 31st December, 1898.

Interest on Loans	£500	Balance from Trading A/c.	£3760
Bad Debts	600		
Interest on Capital	1000		
Profit	1660		

Profit and Loss A/c., 31st December, 1899.

Bank Interest and Charges	£250	Balance from Trading A/c.	£2300
Interest on Loans	500	*Loss*	50
Bad Debts	750		
Interest on Capital	850		

Profit and Loss A/c., 31st December, 1900.

Bank Interest and Charges	£50	Balance from Trading A/c.	£3000
Interest on Loans	1050		
Bad Debts	300		
Interest on Capital	950		
Profit	650		

Answer. *Profits* £2835; £985; £2350; *Average* £2056 13 4.

Exercise 126.

From the following T.B. of Kaye & Stewart, Ltd., prepare Trading, P.L. and Appropriation A/cs. and B/S. at 31st Dec., 1900;—Charge Depreciation on buildings at 3% per ann., on machy. at 6%; credit to bad debts reserve ½% on sales, £136600; write down patents by 10%; reserve 1½% dis. on debtors (£7797 1). **Stock** at 31st Dec., 1900, is £22600 18 –. Appropriate 10% on net profits as remuneration to managing director; £500 as directors' fees; £3500 for Reserve Fund, and 10% as div. on Cap., and c/f. the balance.

Dr. Balances—				**Dr. Balances** continued—			
Stock, 1st January	£32400	12	6	Bankcharges&interest	£387	17	6
Cash	120	6	–	Land & Buildings	22300	–	–
Bank	4208	14	–	Plant & Machinery	37960	–	–
Purchases	52365	17	–	Debtors	52640	–	–
ManufacturingCharges	11575	–	–	Patents	7700	–	–
Wages	28555	4	–	**Cr. Balances**—			
Salaries	1525	–	–	10000 Shares at £10	100000	–	–
Sale Expenses	6860	–	–	Sales	136590	10	–
Rates and Taxes	222	–	–	Discount	579	–	–
Insurance	190	–	–	Creditors	20862	4	6
General Expenses	2640	10	–	Bad Debts reserve	888	–	–
Discount	2473	–	–	P/L. Bal. 31st Dec.,'99	779	6	6
Bad Debts written off	575	–	–	Reserve Fund	5000	–	–

Answer.—*Gross* £34294 14 6; *Net* £15709 7 11.

Exercise 127. (*C.A. Intermediate.*)

Prepare P/L. A/c. and B/S. from the following T.B. of the "Waverley Hotel Co., Ltd." as at the 30th June, 1902 :—**Cr. Balances:** Share Cap. 2000 Shares fully-paid, £20000 ; Mortgage Debentures 6%, £8000 ; Crs., £2750 ; B/P., £825 ; Cr. for Debenture Int., £480 ; General Receipts, £14450 ; Hire of Assembly Room, £1295. **Dr. Balances:** Debtors, £1750 ; Cash at Bank and in hand, £2850 ; P. & L. bal. 1st July, 1901, £1450 ; Goods purchased including stock on hand 1st July, 1901, £14950 ; Rent, rates and taxes, £3350 ; Salaries and wages, £3050 ; General Exs., £650 ; Repairs and Alterations, £475 ; Int. on Debentures due £480 ; Directors' fees, £300 ; Hotel Furniture, £18495. **Stock** £4750.

Answer.—*Net Loss* £2760 ; *Total Deficiency* £4210 ; *B/S.* £32055.

Exercise 128. (*C.A. Intermediate.*)

1. The Washington Manufacturing Co., Ltd., issued cap. in Pref. Shares 4000 at £10 each, Ordy. Shares 6000 at £10 each, also Debentures 300 at £100 each. The Debentures are payable at £10 each on application, £20 on allotment, and £70 at 3 mos. The Pref. Shares at £1 on application, £3 on allotment, and £3 each at 3 and 6 mos. The Ordy. Shares are allotted to Vendors as fully-paid. The vendors are Paul Jacob and Simon Montfort in equal shares, and the property taken over from them may be treated in one item as £60000, as on 1st Feb., 1902, which is the date of allotment. Set out the Journal entries under their respective dates, credit in Cash paid to Bank the amount recd. at due dates, and prove by T.B. **2.** This Company at 31st Jan., 1903, had made profits amounting to £10650 (after charging income tax), to be apportioned as follows :—Directors' Fees £1000 ; Reserve Fund £2000 ; Debenture Int. at 5% Pref Shares at 6%, and appropriate the rest in Dividend on Ordy. Shares at an even rate per cent., carrying forward not less than £900. Income Tax at 6d. in the £ deducted from Deb. Int. and Pref. Div. Make out the Appropriation A/c. **Answer.**—*Bal. c/f.* £1097 2 7 ; *Ordy. div.* 5%.

Exercise 129. (*C.A. Intermediate.*)

From the T.B. of a Colonial Colliery at the 31st Dec., 1907, prepare Trading, P/L. A/cs. and B/S. The Share Cap. is £250000 in shares of £1 each, of which 120000 shares are fully paid up ; 80000 shares are 15/- paid up, and 50000 shares are 2/6 paid up :—

Dr. Balances—	
Bank	£16406
Cash	66
Maintnce. & Renewal of Ry. Rolling Stock, Plant, etc. ..	1772
General Management Exs. in Australia including Sals. Trav. Exs., Rent, & Petty Exs. ..	955
B/R.	3154
Cash on Deposit	24755
Directors' Fees	600
Colliery Gen. Working Exs. Carr. & Shipping Charges ..	34085
Auditors' Fees	142
London Expenses	847
Dr. Balances continued—	
Div. paid 7th Nov., 1907. ..	£8000
Debtors	15341
Cost of Properties	199094
Cr. Balances—	
Share Capital	186250
Int. Rents & Transfer Fees	491
Sales of Coal	45452
Reserve Fund	50000
Call of 5/- per sh. on 80000 (part paid in advance)	8635
P. & L. A/c., 31st Dec., 1906	10513
Unpaid Dividends	657
Creditors	3219

Answer.—*Gross Profit* £9595 ; *Net* £7542 ; *Total B/S.* £258816.

Exercise 130. (Bankruptcy, page 478.) (*C.A. Final.*)

Prepare Statement of Affairs and Deficiency A/c. of Messrs. Jones & Co., on 31st Dec., 1900. The firm commenced business on 1st Jan., 1896, with a cap. of £25000. The trading after charging int. upon cap. at £1000 a year, resulted in a profit for 1896 of £602, and in losses in the subsequent respective years of £370, £450, £500 and £700. The Drawings of the Partners were at the rate of £900 a year; and £1500 had been expended during the 5 years upon Patents and Experiments, and at the date of Bankruptcy stood in the books at that sum. Unsecured Crs. £15050; Crs. partly secured £19080 (holding security, as stated by the books, of the value of £18100, but which is only estimated to realise £6000); Crs. for Wages, Taxes, &c., £500; B/R. discounted £2060 (upon which it is estimated there will be a liability of £280); Stock-in-trade £10100 (which is estimated to realise £8000); Book Debts, good, £7860, doubtful and bad £650 (estimated to realise £178); Land and Buildings £8000 (estimated to realise £5000); Machinery and Plant £12500 (estimated to realise £5500); Cash in hand £2.

Answer.—*Deficiency* £2370; *Total of B/S.* £28410.

Exercise 131. (*C.A. Final.*)

The Manufacturing Co., Ltd., is floated to take over an existing business with a nominal cap. of £200000, divided into 20000 shares of £10 each, of which 15000 are subscribed and allotted (exclusive of the Vendors' Shares). £1 per share is paid on application and £4 per share on allotment on all the shares except those issued to the Vendors. The Vendors agree to accept the purchase money of their business, amounting to £72000, in shares and cash—as to £50000 in fully paid shares and as to £22000 in cash. The Assets purchased by the Co. consist of Book Debts £21500; Stock-in-trade £25000; Furniture & Fittings £500; and Goodwill £25000; and the cash portion of the purchase money is payable 7 days after the allotment of the shares taking place on the 30th June, 1903. Make the entries in the Cash Book and General Ledger of the Company necessary to record these transactions.

Exercise 132. (*C.A. Final.*)

The Herald Publishing Co., Ltd., has a Share Cap. of £22500 divided into 2250 shares of £10 each. Prepare Trading and P. & L. A/cs. and B/S. for the year ended on the 31st Dec., 1909, from the following T.B.:—**Stock** at 31st Dec., 1909, £5822. £23 has to be written off the Lease and £250 for decrease in valuation of the Copyrights, and reserve £235 for Doubtful Debts. Due 31st Dec., 1909, but have not been put through the books, viz.:—Directors' Fees £97; Salaries £16; Rates & Taxes £84; Rent £47; Interest on Debentures £186; Discount on open a/cs. £89; Trade Expenses £27; Interest on Mortgage £4.

Dr. Balances—	
Div. paid 31st August, 1909	£2250
Stock, 31st January, 1909	5637
Purchases	13424
Discounts	5
Rents	136
Wages	600
Fixtures & Fittings	106
Lease of Premises	1727
Freehold Premises	2000
Cash	3
Trade Expenses	183
Rates & Taxes	69
Law Costs	35
Salaries	355
Directors' Fees	292
Interest	15
Goodwill	25000
Copyrights	7918
Dr. Balances continued—	
Returns (Sales)	£330
Bills Receivable	294
Cash at Bank	2179
Int. on Debentures	581
Debtors in Trade Ledger	2865
,, in Customers' Ledger	925
Cr. Balances—	
Share Capital	22500
Debentures	15500
Sales	19785
Returns (Purchases)	22
P. & L. Bal., 1st Jan.	3682
Bad Debts Res., 1st Jan.	144
Rents Receivable	37
Sundry Creditors—	
In Author's Ledger	2358
In Trade Ledger	2901

Answer.—*Gross Profit* £5638 ; *Net* £3090 ; *Undivided* £4522 ; *Total of B/S.* £48242.

Exercise 133. (Income Tax.)

Prepare a Statement of John Bull showing amount returnable for Income Tax Assessment under Sch. D, and what deductions should be claimed therefrom for the year ending April, 1904.

Year ended 31st December.	1900.	1901.	1902.
Profit	£1100		£300
Loss		£50	
The following items had been charged before arriving at the P/L. :			
Interest on Mortgage	60	60	60
Interest on Capital	400	450	380
Depreciation of Plant	150	150	180
Paid Income Tax, Schedule D	25	35	30
Ditto Sch. A, at 6d., in respect of Premises	5	6	6
Life Insce. Prem., charged to Drawg. A/c.	25	25	25

Answer.—*Profits* £1540, £411, £716 ; *Average* £889, *subject to claims for "Wear & Tear" and Insurance Premium, but the deduction of the Premium does not entitle John Bull to the abatement of* £70.

Exercise 134. (*C.A. Final.*)

1. "The Wharfeside Steel Co., Ltd." came into existence on the 1st Jan., 1903, having a cap. of £40000 in 8000 Shares of £5 each, £1 to be paid on allotment, £1 on the 1st Mar., and £1 on the 1st June. Freehold land value £2500 was purchased and buildings erected thereon, at a cost of £11250. There was also expended in plant and machinery £3750, in office furniture and fittings £175, and the expenses attendant upon the formation of the Co. amounted to £375. The works were completed by the 30th June and all liabilities in connection therewith were discharged at that date ; there were, however, outstanding as arrears upon the allotment £175, upon the 1st call £280, and upon 2nd call £345. There was cash at Yorkshire Bank £5150. Make the necessary entries for these transactions, prepare B/S. as on 30th June. (*B/S Total* £23200.)

2. On the 31st Dec., **Stock** was taken (which amounted to £7800). From the following T.B. prepare Trading & P/L. A/cs.

and B/S. after depreciating Freehold Buildings 1½% per ann., Machinery and Plant 10% per ann., Furniture, &c., 7½% per ann. Preliminary exs. one-sixth. **Cr. Balances:**—Cap., £24000; Sales, £17500; Creditors, £2375. **Dr. Balances:**—Freehold Land £2500; Buildings, £11250; Machinery and Plant, £3750; Office Furniture and Fittings, £175; Wages, £4000; Formation exs., £375; Calls in arrear: Allotment, £130; First Call, £100, Second Call, £120: Purchases, £12375; Salaries £2200; Directors' and Auditors' Fees, £475; Printing, Stationery, &c., £120; General Office exs., £180; Rates, Taxes and Insurance, £60; Book Debts, £2940; Yorkshire Bank, £3125. **Answer.**—*Gross Profit* £8925; *Net* £5549 1 3.

Exercise 135. (Royalties, page 499.) (*C.A. Final.*)

On the 1st Jan., 1901, Jas. Fincham became the lessee of a Chalk Pit on the terms of paying a minimum or dead rental of £1000 per ann., merging in a royalty of 4d. per ton. The output in the year 1901 was 30000 tons, in 1902 it was 40000 tons, and in 1903 70000 tons. Show how you would deal with the Royalty and Rental in Fincham's books, the lease providing that dead rent not merged in royalty could be deducted out of future royalty in excess of the minimum, on the footing that Fincham would in the course of five years have increased the output to at least 300000 tons.

Exercise 136. (*C.A. Final.*)

The Middleton Colliery Co., Ltd., T.B. on the 30th June, 1904, is given below. **Stock** £2531. Make out Trading, P/L. A/cs. showing average cost and profit per ton, to the third decimal, and prepare B/S. Due provision has been made for depreciation, and the output for the year has been 1055144 tons.

Dr. Balances—		**Dr. Balances** continued—	
Leasehold Colliery Plant, Machinery, &c.	£600000	Surface Damages	£1340
New Works Expenditure	11416	Dis. and Allowances	13396
Debtors	77970	Salaries	5499
Bills Receivable	7404	Directors' and Auditors' Fees and Law Charges	3954
National Mercantile Bank	15358	Rates, Taxes and Insce.	8051
Stocks, Stores & Materials	15480	General Office Exs.	3741
Coal Stock, 1st July, 1903	1749	Subscriptions and Donations	1790
Interim Div. A/c., 1st Jan.	45000		
Wages	263647	**Cr. Balances**—	
Rents and Royalties	35791	Cap. 60000 shares at £10	600000
Pit Wood, Stores, &c.	52044	Reserve Fund	24314
Coal for Colliery use	19752	P. & L. Undivided Profits	18078
Horses and Horsekeep	13383	Creditors	73210
WaggonHire,Freight&Carr.	42841	Coal and Coke Sales	524004

Answer.—*Gross Profit* £95988; *Net* £59557; *Undivided* £32635.

Exercise 137 (Bankruptcy, page 478.) (*C.A. Final.*)

Prepare Statement of Affairs and Deficiency A/c. as on 1st July, 1907, of Thomas Campbell, merchant, trading to the West Coast of Africa; Unsecured Crs. £8830; Fully-secured Crs. £2352 (who hold security of the cost value of £2630); Partly-secured Crs. £37697 (who hold securities of the cost value of £18098); Preferential Crs. £822; B/P. £20066; B/R. (discounted) £5833, of which £1000 is expected to rank: Book Debts

in England (good) £1341 ; doubtful £170 ; estimated to produce £85 ; bad £34 ; Stock in Liverpool at cost, £1306, estimated at £1200 ; Stock & Book Debts (less sundry liabilities) on the Coast, cost £36584 ; estimated loss on realisation £13224, of Stock £5638, and of Book Debts £7586 ; Four Station Buildings, Plant, Steamers and Carrying Craft £40000, expected to realise £20000 ; Office Furniture £289, estimated to realise £200 ; Cash in hand £4, at Bankers £80. On 1st July, 1902, he had a cap. of £42000, profits appearing to have been made in 1902-3 and 1903-4 of £5000 and £4000 respectively, and losses in the three subsequent years of £2100, £2600, and £3031 respectively, allowing £2000 a year for interest upon capital and his withdrawals having been at the rate of £4500 a year.

Answer.—*Deficiency* £3769. *Total of B/S.* £49495.

Exercise 138. (*C.A. Final.*)

Prepare B/S., Trading, P/L. A/cs. of the Kingbury Brewery. Ltd., for the year ending 30th June, 1905 (**Stock** £6500), from the following. Registered cap., viz. :—4000 6% Pref. Shares of £10 each, £40000 ; 4000 Ord. Shares of £10 each, £40000.

Dr. Balances—		**Dr. Balances** continued—	
Brewery Plant & Casks	£40500	Interim Dividend paid	£1100
Directors' Fees	500	Debenture Interest paid	500
Loans to Customers	1200	Stock, 30th June, 1904	5000
Debtors	3500	**Cr. Balances**—	
Bank	3000	Subscribed & Called-up Cap., viz. :—	
Cash	150	2000 6% Pref. Shs. of £10 each	20000
Purchases	6200	2000 Ord. Shs. of £10 each	20000
Excise Duty	3000	5% Debentures	20000
Goodwill	25000	Creditors	2300
Wages	900	Reserve A/c.	10000
General Expenses	800	Sales	24000
Trade Discounts	5000	Rents Received	3000
Bad Debts	100	Balance of profits b/f. from 30th June, 1904	1650
Depreciation	2500		
Rents paid	2000		

Answer.—*Gross Profit* £10400 ; *Net* £6500 ; *Undivided* £7050.

Exercise 139. (Royalties, page 499.). (*C.A. Inter.*)

The Leeds Colliery Co. acquire a lease of a mineral area for a term of 60 years at a minimum certain rent of £500 per ann. merging into a royalty of sixpence per ton on coal worked in periods, each of three years. Assuming the royalties on coal worked during the first year amounted to £100, in the second year £400, and in the third to £700 (leaving £300 of certain rent forfeited), make Journal and Cash Book entries and post to Ledger A/c. on the basis of the first two years' rent having been paid to the end of each year, and the rent of the last year being unpaid, showing the amount chargeable to P/L. in each year.

Exercise 140.

Prepare Trading, P/L. A/cs., and B/S. for the year ended 31st Dec., 1905, from the T.B. of the books of John Williamson & Co., Ltd., Manufacturers. Write off depreciation on patents and machinery at 5% per ann., and on loose tools at 12½% per ann. Provide 5% to cover doubtful book debts. **Stock** at 31st December, 1905, £16350.

Dr. Balances—	
Freehold Land & Buildings	£35000
Machinery & Plant	27000
Loose Tools	1000
Stock at 1st January, 1905	17500
Material Bought	23750
Wages	9000
Office Salaries & Travellers	2500
Coal and Coke	1300
Rates and Taxes	430
Discounts	820
Bank	3500
Debtors	6800

Dr. Balances continued—	
Cash	£90
Bad Debts	125
Returns	1880
Repairs	405
Interest on Debentures	800
Patents (cost)	13170
Cr. Balances—	
Issued Capital	70000
Debentures	20000
Creditors	2070
Sales	53000

Answer.—*Gross Profit* £15920 ; *Net* £8366 10 ; *Total B/S.* £100436 10.

Exercise 141. (Income Tax.) (*C.A. Final.*)

Prepare Income Tax Return, Thomas Thorp, showing the amount payable under Schedule D for the year ending 5th April, 1907, from the following :- Net balance of P. & L. A/cs.—1903, profit £1000 ; 1904, loss £200 ; 1905, profit £800. The following had been debited to the a/cs. before arriving at these balances : Ground rent of leasehold premises occupied for the purposes of the business £20 a year ; Income Tax at 8d. (Schedule A) for same premises £10 ; Income Tax (Schedule D) 1903, £12 ; 1904, £14 ; 1905, £20 ; Int. on Mortgage of £2000 at 4% ; Bank Int. 1903, £20 ; 1904, £17 ; 1905, £30 ; £20 a year had been written off on account of goodwill, and £10 a week had been drawn by the principal for salary.

Answer.—*Profits* £1362 ; £164 ; £1170 ; *Average* £898 13 4.

Exercise 142. (*C.A. Final.*)

Prepare Trading, P/L. A/cs. and B/S. from the T.B. at 30th June, 1906, of the Pottery Co., Ltd. Nominal Cap. £10000 in £10 shares. **Stock** 30th June, 1906:—Earthenware £800 ; Cratewood, &c., £200 ; Clay £800 ; Coal, &c., £200. Write off Depreciations—Machinery and plant 5%, land and buildings 2½%, tools, &c., 5%, provision for bad debts and discounts 5%, off debtors.

Dr. Balances—	
Calls in Arrear	£200
Land & Buildings	2000
Plant & Machinery	2500
Loose Tools, &c.	500
Horses & Carts	300
Stocks 30th June, 1905 :—	
Earthenware	1000
Cratewood, Packing, &c.	250
Clay	1000
Coal and Sundries	250
Debtors	3000
Straw, Cratewood, &c.	600
Coal, Coke, &c.	300
Clay	2500
Wages	6500
Horse and Cart Expenses	300
Carriage	500

Dr. Balances continued—	
Repairing & replacing Plant	£150
Do. do. Loose Tools	50
Do. do. Buildings	100
Rates and Taxes	50
Gas and Water	50
Bills Receivable	1200
Incidental Expenses	200
Bank	450
Cash	50
Cr. Balances—	
Capital, 900 Shares paid up	9000
P. & L. A/c.	200
Creditors	1000
Sales	12000
Packing, &c.	1000
Bills Payable	800

Answer.—*Gross Profit* £2100 ; *Net* £850 ; *Undivided* £1050 ; *Total of B/S.* £11650.

Exercise 143. (*C.A. Final.*)

The Auto-Car Manufacturing Co., Ltd., purchased certain patents from Morgan & Evans under an agreement dated 15th July, 1906, at a cost of £55000, £5000 of which was to be paid to the vendors in cash, and £50000 in fully-paid £10 ordy. shares. The Co. issued Cap. to the extent of £100000—£75000 in £10 ordy. shares (£1 on application, £4 on allotment, and £5 at the end of 3 months), and £25000 in £25 5% pref. shares (£5 on application, £10 on allotment, and £10 at the end of 3 months). The patents passed on to the Co. according to the agreement on 31st July, which was also the date of allotment. The shares were fully subscribed and duly paid for, the cash being paid direct to the Co.'s bankers. Make the Cash Book and Journal entries for the above, post to Ledger A/cs., and make Trial Balance.

Exercise 144. (Income Tax.) (*C.A. Final.*)

The P. & L. A/c. of a Company owning its own premises assessed at £3234, shows a profit for the year ending 31st Dec., 1907, of £9253, in arriving at which Directors' Fees £1750, Income and Property Tax £1487, Interest on Loans £200, Depreciation of Buildings £100, of Plant £182, and of Fixtures £95, and Subscriptions and Donations £75, have been charged, and £96 income from an investment in £2500 Debenture Stock of a Company has been credited. The agreed figures of the two previous years are £5915 and £7745, and the rate of depreciation of Machinery, which stood at the beginning of the year at £2430, and to which there has been added in the year £280, has been agreed at 7½%. Make out the Income Tax Return for 1908-9. **Answer.**—*Average Profit* £7240 13 4, *subject to claim for "Wear and Tear."*

Exercise 145. (*C.A. Intermediate.*)

Prepare as on the 31st March, 1907, Trading, P/L. A/cs. and B/S. of L. Bentley & Co., Ltd., the **Stock** at that date being £9640.

Capital	£14016	Rent	£2911
Creditors	17460	Rates & Taxes	913
Bills payable	735	Gas, Electric Light & Water	462
P. & L. Balance from 1906	2426	Salaries	710
Interim Dividend paid	1401	Wages	3817
Cash :—On Deposit	5105	Premiums & Commissions	1451
at Bank	294	Advertisements	943
in hand	266	Price Lists, Printing & Postages	1662
Leases	12314	Housekeeping	1240
Fixtures & Furniture	311	Carriage, Paper & String	1612
Debtors	1699	General Trade Exs.	395
Insurance paid £182, of which £54 is unexpired	128	Interest	531
Goodwill	12000	Discounts allowed	57
Stock, 31st March, 1906	10047	Annual Painting of Premises	79
Purchases	61217	Bad Debts	97
Sales	85683	Depreciation of Leases	289
Discount obtained	2006	Auditors' Fees	75
		Preliminary Exs. written off	246

Answer.—*Gross Profit* £18630 ; *Net* £8447 ; *Undivided* £9472 *Total of B/S.* £41683.

Exercise 146. (Banking.) (*C.A. Intermediate.*)

Prepare P/L. A/c. and B/S. of the Thrifty Bank for the 31st Dec., 1906. **Cr. Balances.**—Cap. £114430; Reserves £145210; Notes Issued £39705; Customers' Credit Balances £897530; Unpaid Dividends £240; Gross Profits £32490; Bal. of Profit, 1905, b/f. £1560. **Dr. Balances:**—Bad Debts £3000; Expenses £11505; Interim Div. paid £5720; Cash in hand £38135; Cash at Call £44230; Investments £328465; Stamps on hand £505; Premises £37250; Customers' Debit Balances £762355.

Answer.—*Net Profit* £17985; *B/S. Total* £1210940; *Undivided* £13825.

Exercise 147. (*C.A. Final.*)

Draw Trading, P/L. A/cs. and B/S. for the year at 31st Dec., 906, of the Oil and Gas Motor Co., Ltd. The Nominal Cap. is £25000 in £10 shares. Write off Depreciations—Land & Buildings 3%, Plant & Machinery 5%, Patterns 10%, Patents 10%, Office Furniture 5%, and make a provision of 6% on the Debtors for discounts and bad debts. On 31st December, 1906, the **Stock** was £9500, and Loose Tools £2300.

Dr. Balances—	
Land & Buildings	£5000
Plant & Machinery	8800
Patterns	3300
Stock-in-trade, 31st Dec..1905	9000
Office Fittings & Furniture	400
Loose Tools, valued 31st December, 1905	2500
Patents	1000
Debtors	10500
Cash in hand	100
P. & L. A/c. 31st Dec., 1905	4270
Purchases	19000
Wages (Manufacturing)	11800
Erecting, Fitting & Carriage	2400
Repairs, Renewals & Maintenance	800
Coal, Coke, Gas & Water	450
Dr. Balances continued—	
Printing, Advertising & Stationery	£250
Rents, Rates, Taxes & Insce.	260
Travelling & Commission	1400
General Expenses	450
Directors' Fees	100
Interest on Debentures	900
Bank Interest & Commission	70
Legal & Accountancy	150
Royalties	200
Cr. Balances—	
Subscribed Capital	20000
Debentures 6%	15000
Creditors	7000
Bank Overdraft	900
Sales	40000
Discounts & Bad Debts	200

Answer.—*Gross Profit* £7100; *Net* £600; *Deficiency* £3670.

Exercise 148. (*C.A. Intermediate.*)

The Stanley Colliery Co., Ltd., was formed on 1st June, 1906. The number of shares issued was 5557 £1 shares, on which 5/- per share had been called up and 8000 shares issued to the vendor as fully paid in part payment for the property. During the year no mining was done pending the completion of machinery. Draw a B/S. from the T/B. at the 31st May, 1907:—**Cr. Balances:** F. Wilson £2750; Share Cap. £9389 5; Harrison & Co. £3900; Loan £250; Outstanding A/cs. (salary and rent) £37 10; Thompson & Co. £79 2; Transfer Fee 2s. 6d. **Dr. Balances:** Calls in arrear £298; Property £15000; Preliminary Exs. £155 15 6; Printing and Stationery £13 15; Petty Exs. 3s. 2d.; Cables, Postages & Telegrams £5 18 5; Salaries £361 13 11; Office Rent £112 10; Office Exs. £5 13 11; Machy., &c., £400; Int. £3 1; Cash £49 8 7. (*B/S. Total* £16107 17.)

Exercise 149. (Double A/c. System, p. 459.) (*C.A.-Final.*)

After providing Depreciation on Buildings 2½%, Machinery 7½%, Mains 5%, Transformers, &c., 10%, Meters and Electrical Instruments 15%, prepare Revenue A/c., Net Revenue A/c., Cap. A/c. and B/S. from the following T.B., of the Dynamo Electric Lighting Co., Ltd., as on 30th June, 1903. A call of £1 per share was payable on 31st Dec., 1902, and arrears are subject to interest at 5% per ann.

30 June 02.	Capital	£	£
£	Nominal 10000 Shares of £10 each.		
20000	Subscribed 5000 „ „ £5 paid..... ..		25000
15000	Debentures 6% Interest		15000
1000	Depreciation Fund		1000
	Calls in arrear	1000	
9300	Freehold Land	9300	
4000	Buildings	5000	
6000	Machinery at Station	10000	
5000	Mains	8000	
1000	Transformers, Motors, &c.	2000	
500	Meters	1500	
300	Electrical Instruments	400	
1600	General Stores (Cables, Mains & Lamps) in Stock.	2350	
250	Office Furniture.....	250	
	Coal and Fuel	1900	
	Oil, Waste, & Engine Room Stores	750	
	Coal, Oil, Waste, &c., in Stock	100	
	Wages at Station	3000	
	Repairs & Replacements	500	
	Rates & Taxes.....	300	
	Salaries of Secretary, Manager, &c.	1500	
	Directors' Fees	1000	
	Stationery, Printing & Advertising	600	
	Incidental Expenses	100	
	Law Charges	200	
	Sales by Meter		8750
	Sales by Contract		5000
	Meter Rents		300
	Sundry Creditors		1000
	Sundry Debtors	3000	
	Cash in hand and at Bank	3300	

Answer.—*Bal. of Revenue A/c.* £2465, *Bal. Net Revenue A/c.* £1565; *Total Capital A/c.* £39000.

Exercise 150. (*C.A. Final.*)

Abe Allen and Ben Bailey were partners in the following scheme, A. to take ⅔ and B. ⅓ of the profits. They agree to guarantee the subscription at par of 100000 shares of £1 each in a Co. and to pay all expenses up to allotment, in consideration of the Co. issuing to them 15000 other shares fully paid. A. provided cash for the following exs. :—Registration and fees £115; Advertising £2150; Printing and Prospectuses £230. B. provided cash for remainder, viz. :—Rent of temporary office £25; Secretary, &c., £100; petty cash and sundries £27; stamps £103; solicitors £250. The applications fell short of the £100000 by 3000 shares, and by arrangement B. found the cash in full for that number on the joint a/cs. The Company handed A. and B.

the 15000 shares. A. and B. then sold all their shares at 17s. 6d. each less brokerage at 2d. per share. B. received the net proceeds of 3000 shares, and A. received the remainder. Make up the separate a/cs. of the partners (without interest). Show profit made by each, and amount payable by A. to B. at settlement. **Answer.**—*Profit* £9600 ; *A. paid B.* £4105.

Exercise 151. (*C.A. Final.*)

The cap. of the Empire Co., Ltd., is £100000 in 6% cumulative pref. shares, and £90000 in ordy. shares. The profits of any year are to be applied thus :—(1) 5% thereof to the directors for remuneration. (2) To paying the pref. div. and any arrears thereof. (3) To paying an ordy. dividend up to 10%. Any surplus over the above (after deducting tax at 8d.) to be applied thus :—(A) 10% thereof to the directors for further remuneration. (B) Two-thirds of the remainder as further ordy. div. (C) One-third of the remainder to the reserve fund. The profits of the year 1906 were £31034 9 8. The Pref. div. of 1905 was 3% in arrear. Distribute profits as stated, providing for income tax at 8d. in the £.

Answer.—*A.* £1110 ; *B.* £6660 ; *C.* £3330, *all after deducting tax.*

Exercise 152. (*C.A. Intermediate.*)

Prepare B/S. of France & Co., Ltd., on 30th June, 1909, from the following :—The authorised share cap. is £100000 in 100000 shares of £1 each, of which 50000 have been issued and 18/- called up.

Dr. Balances—		**Cr. Balances—**	
Calls in arrear	£25	50000 Shares at 18/-	£45000
Patents	5000	250 £100 Mort. Deb. Bonds 5%	25000
Bank	1325	Calls in Advance	200
Cash	117	Creditors	5375
Debtors	16150	Reserve Fund	8000
Stock	11220	Reserve for Bad Debts	650
Investments for Res. Fund	7000	Suspense A/c	500
Plant & Machinery	26020	Profit	9342
Land & Buildings	25435	Depreciation : Plant & Machy.	525
Interim Dividend paid	2300		

Answer.—*Total of B/S.* £91092.

Exercise 153. (See page 454.) (*C.A. Final.*)

Prepare an Income and Expenditure A/c. and B/S. from the following T.B. and particulars of the Land & Buildings Co., Ltd., as on 30th April, 1907. Make a Reserve of £21 for audit fee, and £25 for repairs. Int. on Mortgage has been paid to 31st Dec., 1906. Two tenants, Geo. Field and Richard Fell, at £180 a year each have paid rent to 31st Mar., 1907. The only other tenants are those mentioned in the T.B. Provide for a dividend of 6% on the capital and carry the balance to the reserve fund.

Dr. Balances—	
Incidental Expenses	£5
Postages	3
Bank Commission	4
Interest on Mortgages	240
Secretary's Remuneration	80
Robt. Norton half-year's rent due 31st Jan.	80
Leo Rollins half-year's rent due 28th Feb.	90
Repairs & Painting	35
Fire Insurance	12
Stationery & Printing	16
Felix Walters half-year's rent due 31st Dec., 1906	120
Heating & Ventilating	50
Yeo. Morris half-year's rent due 31st March	240
Dr. Balances continued—	
Land & Buildings	£25000
Income Tax	37
Public Art Co. half-year's rent to 31st Dec., 1906	90
Bank	609
Cr. Balances—	
Registration & Transfer Fees	1
Bank Interest	15
Reserve Fund	1220
Rentals	1310
Capital A/c. 3000 shares of £5 each fully paid	15000
Forfeited Shares	10
Saml. Carter (Mortgage 4%)	9000
Creditors	155

Answer.—*Net Profit* £958 ; *B/S. Total* £26509.

Exercise 154. (Royalties, page 499.) (*C.A. Final.*)

The Coal Mine Co., Ltd., took a lease of a colliery from G. Risch for 99 years from 29th Sept., 1906, at a ground rent of £50 a year payable half-yearly, and a royalty of 6d. per ton, with a minimum royalty of £80 a year, payable half-yearly. During the first year the Co. raised 2500 tons, and during the second year ended 29th Sept., 1908, 4000 tons. The several amounts due to G. Risch were paid 21 days after becoming due. Write up both Personal and Nominal A/cs. and balance them at the end of each year.

Exercise 155. (*C.A. Intermediate.*)

A Company on 1st Jan., 1902, formed to acquire an established business issues ordinary cap. £100,000 in £10 shares, payable £1 on application, £2 on allotment, and the balance 3 mos. after allotment ; pref. cap. £50,000 in £10 shares, payable in the same manner ; and £50,000 in debentures, of £100 each payable 10% on application, and the balance on allotment. The whole (other than the shares taken by the vendor) was subscribed, allotted and duly paid up. The vendors are to receive £100,000 payable as to £40,000 in ordy. fully-paid shares and £60,000 in cash, such price to include £20,000 for freehold buildings, and £30,000 for stock-in-trade, the bal. being for goodwill. Make Journal entries relating to the issue of the capital and the purchase of the vendors.

Exercise 156. (Double A/c. System, p. 516.) (*C.A. Final.*)

The following is the T.B. of the Durham Ry. Co. after the completion of the Revenue A/c. for the half-year ended 31st Dec., 1908. *During* the said half-year there was an issue of £10,000 3½% preference stock, at par, which was fully subscribed and paid up, also of £20,000 ordy. stock fully subscribed and paid up at a premium of 5%. The expenditure on lines open for

traffic was £25000 ; on lines in course of construction £1000 ; and on working stock £5000. Make out Capital A/c. and B/S.

Dr. Balances—		**Dr. Balances** continued—	
Lines open for Traffic	£851950	Sundry Outstanding A/cs.	£4000
Lines in course of constructn.	5000	**Cr. Balances**—	
Lines not commenced	50	3½% Pref. Stock	300000
Working Stock (Engines, Carriages, &c.)	130000	Ordinary Stock	500000
Contributions to Joint Lines	50000	4% Debenture Stock	200000
Purchase of Grand Canal ..	5000	Premiums on Stocks issued	25000
Cash at Bank	5000	Debts due to other Co.'s ...	500
General Stores—Stocks on hand	10000	Sundry Tradesmen, &c. ...	20000
Traffic A/cs. due to Co.	10000	Fire Insurance Fund	1500
Due from other Companies	1000	Superannuation Fund	5000
		Cr. Balance of Net Revenue A/c.	20000

Answer.—*Balance Cap. A/c.* £17000 ; *B/S. Total* £47000.

Exercise 157. (*C.A. Inter.*)

A Company registered with a cap. of £1,000,000 in £10 shares issued 80000 shares at a premium of 2/- per share payable at £2 12 on application, including the premium, and £2 10 on allotment. It also issues 5% debentures to the extent of £100,000 at £104 per £100 payable £14 on application, including the premium, and the bal. on allotment. The Co. acquires a business for £250,000 payable £200,000 in fully paid up shares, and £50,000 in cash. The Registration fee and formation exs., which amount to £6000, are to be paid out of the premium of 2/- per share, the balance is to be carried to a reserve. The premium on the issues of debentures is to be carried to the same reserve. Make the Journal Entries.

Exercise 158. (Royalties, page 499.) (*C.A. Inter.*)

A colliery is worked under a 30 years' lease at a royalty of 8d. a ton, with a minimum yearly rent of £1000 with power to recoup short workings. In the first year 25000 tons are worked ; in the second, 26500 ; in the third, 24600 ; in the fourth 31000 ; and in the fifth, 30500 tons. Journalise these transactions and state how the respective years' royalties would affect the P/L. A/c. and B/S.

Exercise 159. (Income Tax.) (*C.A. Final.*)

Prepare the Income Tax Return of the Atlas Steel Co., Ltd., for the year 1909-10 from the following figures :—Profit for the year 1906, £25000 ; 1907, £23740 ; 1908, £29450. These profits are, after bringing to credit net income from farms and cottages £2500, and £2550 income received from investments, and after charging Income Tax paid £600 ; Charitable gifts £500 ; depreciation of machinery £1600 (of which presume £800 is allowed) ; and of buildings £1000 ; and writing off £1000 from the Colliery freehold each year. The Company's property is assessed for tax at £6000.

Answer.—*Profits* £18650 ; £17390 ; £23100 ; *Average* £19713 6 8, *subject to claim for "Wear and Tear."*

Exercise 160. (*C.A. Final.*)

Prepare Revenue A/c. and B/S. of the Spark Fire Insurance Co. on 31st December, 1900, from the following :—

Dr. Balances—	
Re-assurances (representing premiums which have been paid to other companies with the object of sharing the losses; the amount must be deducted from the Premiums received) paid and outstanding	£69000
Losses by Fire	480000
Expenses of Management	120000
Commission	119000
Foreign State Taxes	11000
Shareholders' Dividends paid and payable	12500
Mortgages within U.K.	100000
Mortgages out of U.K.	10000
British, Colonial and Foreign Securities	155000
Railway Debs. and Stock	150000
Railway Preference Shares	33000
Municipal & County Council &c. (Loans)	17000
Bank Deposits for period	20000
Dr. Balances continued—	
Deposits with Foreign Co's	£17000
Deposits with United States Trustees	11000
Agents and Branch Office Balances	105000
Outstanding Premiums at Head Office	1500
Cash at Bank	10500
Cr. Balances—	
Premiums	770000
Losses Recoverable (in respect of re-assurances and must therefore be deducted from Losses by Fire in the Rev. A/c.)	60000
P. & L. A/c.	3500
Fire and General Reserve Funds	280000
Interest and Dividends (of which £5000 has not been recd.)	13500
Capital	250000
Outstanding Fire Losses	63000
Outstanding Dividends	6500

Answer.—*Net Profit* £44500 ; *B/S. Total* £635000.

Exercise 161. (Bankruptcy, p. 478.) (*C.A. Final.*)

Prepare Statement of Affairs of Nathan Thorpe, engineer, on 20th March, 1909.

	Book Values.	Estimated to produce.
Leasehold Premises held for 99 years at £50 a year	£5000	£4500
Fixed Machinery & Plant on the said Premises	2000	1000
Loose Tools, Plant, &c.	700	350
Stock-in-Trade	1000	600
Book and other Debts—Good (less 5%)	300	285
,, ,, Doubtful	800	200
,, ,, Bad	2000	

Cash in hand £5 ; 500 £1 Shares in the Hole Mine Co., Ltd., 5s. per share paid, bal. called up. In liquidation. No return expected. Household Furniture and Effects £250 ; Life Insurance Policy for £2000 at death, subject to premium £35 a year, due 30th Dec., held by Insurance Co., for Loan of £180. Surrender value £200, less loan. *Liabilities* :—Crs. for Unsecured Trade Debts £3000 ; Private and Household Debts £150 ; Loan of £2000 at 4% secured by First Mortgage on Leaseholds, Int. paid to 20th May, 1908 ; Bankers for overdraft secured by second Mortgage on Leaseholds £2500 ; Loan of £1000 at 5% secured by third charge on Leaseholds and second charge on Life Insurance Policy. Int. paid to 20th Sept., 1908 ; Ground Rent of Leaseholds accrued since 25th Mar., 1908, had not been paid ;

Rent of Dwelling-house, £30 for half-year due 25th Dec., 1908. Taxes due 1st Jan., 1909, £20; Local Rates £25; Liability on Shares of Hole Mine Co., Ltd., above mentioned: omit calculations on Income Tax. **Answer.**—*Deficiency* £2046 13 4.

Exercise 162. (Bankruptcy, page 478.)

Prepare Statement of Affairs of Alfred Bullough on 31st May, 1908.

Trade Creditors	£1200	Cash	£150
Bills Payable	1500	Book Debts	1900
Bankers	600	Stock	1300
Balance	400	Fixtures, &c.	350

Upon A.B. being questioned the following facts were elicited:—He had omitted from the B/S. (*a*) £50 owing for rent and £15 for rates. (*b*) £500 borrowed at 5% from his father-in-law three years ago, no payment having been made on a/c. of either principal or int. (*c*) A B E. for £100 accepted by a firm without consideration, would be due in a month. His private and household debts amounted to £120. The item entered in B/S. as cash included I.O.U.'s for £120, which he had put in the cash box for moneys drawn for betting purposes. About £700 of the book debts might be taken as bad, the rest would be recoverable. The stock was good except about £200, which would not produce more than £20. The fixtures would not realise more than £50. His other assets were:—Household furniture worth about £250, Freehold house in which he resided mortgaged to secure £1000 at 4%, the bankers holding a second charge as security for their overdraft. The house was valued at £1500. **Answer.**—*Deficiency* £1010. *Total B/S.* £3595.

Exercise 163. (Bankruptcy, page 478.) (*C.A. Final.*)

Prepare the respective Balance Sheets of the firm of "Robinson Bros." and of the several partners, Alfred, Benjamin & Charles; after which prepare the respective Statements of Affairs of the firm and the several partners, giving effect to the rights of holders of securities; accepting the values of assets as given on 3rd April, 1907.

Joint Estate—Unsecured Trade Crs. £31280; Cash Crs...	£6642
Cash Crs. collaterally partly secured by Policies of Assce.	9015
On the life of Alfred, worth £1615; of Benjamin worth	738
Cash Creditors, fully secured	10435
they holding securities belonging to the firm worth....	14395
Liabilities on Bills discounted, considered good	1340
Preferential Creditors of Joint Estate	2128
Tradesmen's Claim on Separate Estate of Alfred	697
Cash at Bank £1050; in hand £843; Debtors £2975; Stock £30155; Fixtures and Furniture.....	1400
Separate Estate of Alfred, Cash Creditors	2578
they holding as security Freehold Property of his, worth	3000
Tradesmen's Claims on Separate Estate of Benjamin ...	119
Tradesmen's Claims on Separate Estate of Charles	190
Cash Creditors of Charles, unsecured	510
Household Furniture, Separate Estate of Alfred	1000

Household Furniture, Benjamin £1000 ; Charles £500
Reversionary Interest under will of John Smith, deceased,
Separate Estate of Charles, worth 200
Alfred had overdrawn his a/c. with the firm by 4500
Benjamin ,, ,, ,, £3000 ; Charles 1182

Answer.—*Deficiency of Firm* £4723 ; *Surplus of Alfred* £725 ; *of Benjamin* £881 ; *Charles' Statement Balances.*

Exercise 164.

The Business of Wm. Barlow & Sons was purchased for £79000 by a Co. on 1st Jan., 1900, and they traded as Wm. Barlow & Sons, Ltd. The Nominal Capital was fixed at £100000 in Pref. and Ordy. Shares divided equally. The Co. took over Assets, valued as follows :—Stock £30000 ; Plant and Machinery £12000 ; Freehold Land and Buildings £25000. The Co. was to receive the benefit of a reserve of £500 for Bad Debts and of £500 for Discounts.

Shares were allotted to Vendors as follows :—6000 Pref. and 2000 Ord., while the public applied for and were allotted 3980 Pref. and 7630 Ord. Shares, payable £1 on application, £1 on allotment, and 2 calls of £1 10s. each, 1 and 3 months after allotment. The public paid all calls on the Pref. Shares, and as regards the Ord. Shares, only £7250 were paid on allotment, £10690 on 1st Call, and £10580 on 2nd Call. All sums being paid direct to Bank. The balance of the purchase money was paid by cash, and the bank charges for the year amounted to £290 10s. 7d.

During 1900 the following transactions took place :—Purchases £17379 18s. 5d. ; Sales £46074 12s. 5d. ; Wages (Manufacturing £9284 17s. 10d. ; Carriage on Purchases £685 10s. 11d. Returns : by Customers £2794 17s. 11d. ; to Manufacturers £1386 12s. 7d. They paid on a/c. of Goods £10073 6s. 5d. ; Trade Exs. £835 17s. 4d. ; Taxes, Rates, &c., £639 17s. 11d. ; Additional Land and Buildings for extension £15000 ; Plant, &c., purchased and paid £9500 ; Legal Expenses £155, Discount received £795 8s. 10d., and allowed £1694 7s. 11d. ; Bad Debts amounted to £513 7s. 0d.; Bills received £2684 7s. 5d. ; and bills granted £1795 9s. 10d., of which £1189 16s. 4d. and £802 5s. 4d., respectively were outstanding.

The amounts received for Sales £27897 6s. 5d., and also a Mortgage of £7500 on Buildings. During the year an issue of Debentures took place of £20000 at a premium of 10%, which was to be placed to a Reserve Fund. At the end of the year £720 was *due* for interest. The calls in arrear not having been paid, the Directors, after due notice, cancelled 279 Ord. Shares on which only £1 each had been paid on application, and £43 on allotment. The Directors wrote off 2½% from stock valued at £19789, also 2% from Land and Buildings, 7½% from Plant, &c., and reserved 5% from Debtors for discount. Apply the Reserve Fund towards reduction of Goodwill. Prepare Trading, P/L. A/cs. and B/S.

Answer.—*Gross* £6610 5 5 ; *Net* £619 13 3 ; *Total B/S.* £129020 19 4.

LONDON CHAMBER OF COMMERCE. (*Senior*, 1902.)

1. You are appointed book-keeper to an old-established business which has recently been converted into a public Limited Company. Give rulings of any books which it would be necessary for the new Company to keep, other than the ordinary books of Account which are already in existence, and need no amendment.

2. What is a "Suspense A/c." ? Give a few examples :—(*a*) of legitimate purposes for which such an A/c. may be used ; (*b*) of errors which the abuse of a Suspense A/c. may cover.

3. The prospectus of Messrs. Black & Tan, Ltd., was publicly advertised on 21st Jan., 1902, with the following loan and share issues. *Debentures*—1000 4% Debentures of £100 each, the whole of which were offered and fully subscribed and paid up. *Preference Shares* :—20000 6% Preference Shares of £5 each ; the whole of which were offered and fully subscribed and paid up. *Ordinary Shares* :—Nominal 30000 shares of £5 each ; of which 10000 shares were issued as fully paid to the vendors in part payment of the purchase price of the business. Of the remaining 20000 shares the public subscribed for 15000 shares, the whole of which were, in due course, fully paid up, with the exception of the last call of £2 per share on 500 shares, which were subsequently forfeited by resolution of the Directors. Pass the necessary entries through the Company's books to record these transactions, and state how they should appear in the B/S.

4. After writing up the P. & L. A/c., the general ledger balances of the Conservative Bank, Ltd., as on 31st Dec., 1901, were as follows :—Paid-up Capital £1500000 ; Cash at Bank of England and in hand £2600980 ; Customers' Current and Deposit A/cs. £17580000 ; Bills discounted, Loans and Advances £14482000 ; Freehold Premises £380000 ; Rebate on Bills Discounted ; not yet due, carried to next A/c. £24300 ; Reserve Fund £1200000 ; English Government Securities £1250000 ; other Government Securities £520000 ; P. & L. A/c. (undistributed balance) £110680 ; Securities pledged with Public Bodies £81000 ; Indian and Colonial Securities £1101000. On the same date (31st Dec., 1901) the acceptances on behalf of customers, and for which they were liable, appeared in the "Acceptances Book" of the Bank at £1725420. Prepare B/S. 31st Dec., 1901. (*B/S. Total* £22140400.)

5. State briefly the facts that would guide you in arriving at the proper amount of depreciation to provide for upon the Machinery and Plant used in a manufacturing business : and set out the entries you would pass through the books to give effect thereto.

6. Messrs. Slander & Backbite own a small newspaper. Profits and losses are equally divided. Before the division of profits the following adjustments are necessary :—10% depreciation is to be written off Plant A/c., 20% off Type A/c., and 10% off Horses and Carts A/c. ; 5% provision is to be made for

Bad and Doubtful Debts; Six months' Int. at 5% is due upon the Bank Overdraft, and has not yet been passed through the books. **Stock** as on 31st Dec., 1901, was valued at £381. No interest is allowed upon Partners' Cap. A/cs., Backbite's smaller capital being compensated for by the fact that he gives more time to the business than his partner. Ledger **Balances** 31st December, 1901.

Expenses of Branch Office	£129	Trade and Incidental Expenses	£82
Insurance A/c.	34	Cost of Literary Contributions	898
Rates, Taxes and Gas	50	Commissions paid	152
Postages A/c.	182	Stable Expenses	121
Carriage	264	Ink Purchases	88
Bad Debt Reserve (1st Jan., 1901)	430	Machine & Engine Room Exs.	242
Sales and Subscriptions (Newspaper Dept.)	4852	Audit Fee	52
Sales (Jobbing Dept.)	848	Law Charges	124
Advertisements A/cs. (Receipts)	5540	Bad Debts	142
Compositors' Wages	2035	Freehold Printing Works	4950
Reporters' Salaries	798	Additions to Freehold Premises during year	150
Paper Purchases	2220	Plant & Machinery	4400
Office Salaries	748	Type	2900
S.S.'s Capital A/c.	9864	Stock (1st Jan., 1901)	342
S.S.'s Drawing A/c.	1040	Horses & Carts	194
D.B.'s Capital A/c.	7540	Sundry Debtors	8440
D.B.'s Drawing A/c.	952	Cash in hand	457
Trade Creditors	862	Bank Overdraft	1500
Advertisements paid in advance	750		

Answer.—*Net Profit* £1849 2; *Cap. S.S.* £9748 11; *D.B.* £7512 11. *Total of B/S.* £20410 12.

LONDON CHAMBER OF COMMERCE. (*Senior*, 1903.)

1. The following books are in use in a printing business, and are properly kept upon the ordinary double-entry system :—Cash Book (bank items only), Petty Cash Book (for all Cash Payments), Purchases Journal, Sales Journal, two Personal Ledgers ("A," town debtors; and "B," country debtors), Bought Ledger, and Nominal Ledger. How would you re-arrange the system of book-keeping so that every ledger may be self-balancing?

2. Describe the steps you would take in order to prepare Trading, P. & L. A/cs., and B/S. from a set of books which had been kept by single-entry.

3. Below is the B/S. of the Blank Co., Ltd., on 31st Dec., 1902 :—

Nominal Capital.		Patents, at cost	£114663
100000 Pref. Shs. £1 ea.	£100000	Leasehold Works	3820
100000 Ordy. Shs. £1 ea.	100000	Machinery and Plant	4120
		Sundry Debtors	1241
Issued Capital.		Stock on hand	4921
74720 Pref. Shs. fully pd.	£74720	Advertising Suspense	2000
42633 Ordy. Shs. fully pd.	42633	Preliminary Expenses	406
	£117353	Profit & Loss A/c.	1482
Sundry Creditors	14000	Cash in hand	28
Bank Overdraft	1328		

The Company proved unsuccessful, and resolutions were passed to carry out the following scheme of reconstruction :—(1) That the £1 pref. shares be reduced to an equal number of fully paid shares of 10/- ea. (2) That the £1 ordy. shares be reduced to an equal number of fully paid shares of 6/8 each. (3) That the amount thus rendered available for the reduction of the assets

be apportioned as follows :—Preliminary Exs. P. & L. A/c. and Advertising Suspense A/c. to be written off entirely ; £1200 off the Leasehold Works ; £1400 off the Stock ; 20% off the Machinery and Plant, and the balance available to be written off Patents. Prepare B/S. giving effect to above.

4. Give suitable rulings for the Share Ledger of a Limited Company, and enter therein the following particulars :—John Smith, cork merchant, 440 Austin Friars, E. C., applied on 2nd Jan., 1902, for 150 ordinary shares of £1 each, and forwarded the necessary 2/6 per share with his application. On 12th Jan., 1902, John Smith forwarded a further 2/6 per share on being informed by the Company that 150 ordinary shares (numbered 1 to 150) had been allotted to him. On 10th March, 1902, a call of 5/- per share was notified by the Company and was duly paid by John Smith on his holding on 15th March, 1902. On 3rd April, 1902, John Smith sold 100 of his shares (numbered 1 to 100) to Wm. Brown, hatter, 488, Bond St., W., at 12/6 per share, the transfer being accepted by the Company.

5. Explain the difference (if any) between a "Revenue A/c.", an "Income and Expenditure A/c." and a "Receipts & Payments A/c."

6. Prepare Trading, P. & L. A/cs. & B/S. of Wm. Pearson & Co., Ltd., on 31st Dec., 1902. Nominal Capital 50000 £1 shares. Provide 5% for doubtful debts ; write 10% off Machy. & Plant, and take £1000 to Reserve Fund. **Stock** 31st December, £6820.

Dr. Balances—		**Dr. Balances** continued—	
Unpaid Calls A/c.	£150	Repairs	£174
Cash in hand	190	Purchases	41800
Sundry Debtors	3640	Bad Debts A/c.	191
Cash at Bank	1150	Office Expenses	124
Machinery & Plant	6000	Int. paid on Debentures	225
Freehold Premises	11500	**Cr. Balances**—	
Stock (1st Jan., 1902)	8800	Share Cap. A/c.	15000
Manufacturing Wages	12450	Sundry Creditors	1960
Salaries	1230	Reserve Fund	4000
Carriage & Cartage	395	Mortgage Debenture A/c.	4500
Rates & Taxes	111	Discount A/c.	48
Insurance	98	Sales	62856
Trade Expenses	382	Unpaid Dividends	252

Answer.—*Gross Profit* £6620 ; *Net Profit* £2956 ; *Total B/S.* £28518.

LONDON CHAMBER OF COMMERCE. (*Senior*, 1904.)

1. Give suitable rulings for the Sales Journal of a wholesale business comprising three departments, viz. :—"Mantles," "Dress Materials," and "Felts." There are two Sales Ledgers in use, viz. :—"Town" and "Country," and each Ledger is kept upon the self-balancing principle. **2.** Upon being appointed book-keeper to the Whirlwind Automobile Co., Ltd., you find that 10 cars have been sent to various people for trial purposes, "on sale or return." These transactions, however, have been passed through the Company's books as actual sales at full list prices amounting to £3750. Is this correct ? If not, what rectification of the a/cs. would be necessary ? How should such transactions be treated in the Company's annual A/cs. as prepared for publication ?

3. Messrs. J. Silkstone & Co., Coal Merchants, of London, opened a branch business at Maidstone, on 1st Jan., 1903. From T.B. of the Maidstone Branch, prepare P. & L. A/c. and draft entries necessary to incorporate the figures below in the Head Office Books. Stock of coal at Maidstone £984.

Dr. Balances—		**Cr. Balances—**	
Sundry Creditors	£640	Head Office Adjustment A/c.	£1574
Horses, Carts, &c.	280	Coal Sales	1750
Salaries, Rent & Expenses	620	Sundry Creditors	42
Cash in hand	78		
Coal invoiced from Head Office	1748		

4. Messrs. Black and White were equal partners in a retail boot shop. They decide to retire and dispose of their business as on 31st Dec., 1903, when their B/S. stood thus :—

B. Black's Cap. A/c.	£3050	Lease	£1250
W. White's Cap. A/c.	960	Fixtures	220
Sundry Creditors	480	Sundry Debtors	840
		Stock	2060
		Cash at Bank	120

The Lease and Fixtures were sold for £2700; the Cash received; and the Book Debts were collected, realising £752. The stock was sold by auction for £1340 after payment of commission and exs. The sundry creditors were paid off, £38 being allowed for discount. The expenses of realisation amounted to £87. As book-keeper to the firm, prepare whatever a/cs. may be necessary to show the result of the realisation and the amount received by each partner.

Answer.—*Net Profit* £373; *Received by Black* £3236 10; *White* £1146 10.

5. The books of Messrs. Wm. Jones & Co., were balanced on 31st Dec., 1903, and a P. & L. A/c. and B/S. prepared. The profit for the year, as shown by these a/cs. amounted to £2481 6s. 4d. The following mistakes had been made by the book-keeper during the year :—(**a**) a gas engine costing £450 had been debited to "Purchases Account" instead of to "Machinery and Plant," (**b**) an amount of £15 12s. 8d. received as a final dividend in the estate of G. Smith, the balance of whose a/c. had, in a previous year, been written off as a bad debt, was standing to the credit of a newly opened a/c. under the same name, and was included amongst the "Sundry Creditors" in the B/S. (**c**) a cheque amounting to £10 4s. 8d., which had been returned dishonoured, was posted to the debit of "Allowances A/c." instead of to the Account of A. Brown, from whom it was received. (**d**) Goods amounting to £52 1s. 4d. had been returned by R. Robinson, on 30th Dec., 1903, and were taken into stock. but the entries recording the return were not passed through the firm's books until 4th Jan., 1904. What adjustment would be necessary to rectify these errors, and how would they affect the above-mentioned profit ?

6. The Nominal Cap. of John Bolton & Co., Ltd., consists of 75000 Ordy. Shares of £1 each. The Co. is empowered to issue 250 Debentures of £1000 each at 4½%. Prepare Trading, P. & L. A/cs. and B/S. on 31st Dec., 1903. **Stock** £11840. (*a*) Write

10% off Machinery and Plant and 15% off Patents. (*b*) Provide 5% for Doubtful Debts. (*c*) Carry forward £50 paid for Fire Insurance in respect of unexpired period. (*d*) The directors voted a bonus of 5% on the Net Profit for division amongst the departmental managers.

Dr. Balances—		**Dr. Balances** continued—	
Stock (1st Jan., 1903)	£9875	Patents A/c.	£1200
Cash in hand	60	Sundry Debtors	20140
Cash at Bankers	3104	Dividend (paid on Ordy Shs., 14th Feb., 1903)	1875
Purchases	32960	Unpaid Calls (Ordy. Shares)	250
Trade Charges	982	**Cr. Balances**—	
Wages	19462	Share Cap. A/c. (50000 issued 15/- per share called up) ..	37500
Salaries	1291	Calls paid in advance	125
Travelling Expenses	871	Mortgage Debentures	10000
Rates and Taxes	321	Sales	61842
Insurance (Fire)	195	Reserve Fund	6800
Discount A/c.....	829	Sundry Creditors	1180 1
Returns from Customers	1482	Returns to Creditors.....	3421
Bad Debts written off	348	Bad Debts Reserve	940
Interest paid on Debentures	450	P.&.L.A/c.(Bal.31stDec.,1902)	3286
Freehold Land and Buildings	22280		
Machinery and Plant	17800		

Answer.— *Gross Profit* £13324; *Net Profit* £6060; *Bal. c/f.* £7168.

LONDON CHAMBER OF COMMERCE. (*Senior*, 1905.)

Senior Candidates must not attempt question 6 *or* 7, *and Candidates for the Teachers' Diploma must not attempt* 1 *and* 4.

1. Briefly explain the principles of the "Columnar" or "Tabular" system of book-keeping. Illustrate the advantages of this system by means of *pro formâ* rulings of a cash book, or other book of first entry, suitable for use in a small hotel.

2. The Weyside Co., Ltd., was formed to purchase the business of Richard Blank, and was registered with a capital of £200,000 in 200,000 shares of £1 each, which was divided into 100,000 ordinary shares and 100,000 6% preference shares. The whole of the preference and 52,000 of the ordinary were offered for public subscription, payable in both classes of shares, as follows :—2/6 per share on application, 2/6 per share on allotment, 5/- per share on 15th Jan., 1905 (1st call); 5/- per share on 15th Feb., 1905 (2nd call); the balance as and when required. The whole of the shares offered to the public were applied for and allotted in due course; the balance of the ordinary shares being issued as fully paid to the vendor as part purchase price of his business. 500 ordinary shares applied for by John Smith, upon which the application money only had been paid, were subsequently forfeited in accordance with the Articles. Make the entries necessary to record the above and show how they would appear in the B/S.

3. In closing the books of Robert Sawyer you find the undermentioned. How would you deal with these transactions when preparing the annual A/cs. for the year ended 31st Dec., 1904 ? (1) Fire Insurance Premium £50, paid on 30th June, 1904, covering the twelve months to 30th June, 1905. (2) Salaries £125, accrued due to A, B, and C, but not yet drawn by them. (3) R. Robinson paid £100 in advance in full settlement for work

which was being executed for him under a contract. The cost of the work completed up to 31st Dec., 1904, amounted to £39, when it was estimated that half the contract had been completed. (4) Patents account showed a debit balance of £557 7s. This amount consisted of Patent rights, 6 years to run, purchased for £550, and renewal fees for the year 1904, £7 7s. (5) Three years ago Robert Sawyer bought a milling machine for £200, and depreciation, at the rate of 10% upon the diminishing balance, has been written off each year; the same machine, however, can now be bought for £120 owing to improvements in the manufacture.

4. What is the difference, if any, either in result or in method of preparation, between a "B/S." and a "Statement of Affairs"?

5. Set out below are the ledger balances, as on 31st Dec., 1904, of the Sylhet Tea Plantations, Ltd. Prepare P. & L. A/c. and B/S. The nominal cap. of the Co. consists of 20000 ordinary shares of £10 each. No stock on 1st Jan., 1904, but on 31st Dec., **Stock** of tea £3854. **Adjustments:**—(1) Make a provision of 5% for Bad and Doubtful Debts. (2) Provide for depreciation on Plant and Machinery at the rate of 10%. Carry £3000 to the Reserve A/c.

Dr. Balances—	
Plantations (Land in Sylhet and Buildings thereon)	£184000
Sundry Debtors	8400
Plant & Machinery	3700
Div. paid 30th June, 1904	8100
Wages (European)	4400
Wages (Native)	9527
Crop Expenses	3200
Manufacturing Expenses	2480
Boxes purchased (the whole to be written off during year)	672
Rent & Taxes	543
Machinery Repairs	423
General Charges	331
Hospital Expenses	1565
Marine Insurance	248
Fire Insurance	120
Law Charges	32
Dr. Balances continued—	
Directors' Fees	£350
London Office (Sals. & Exs.)	1021
Auditors' Fees	52
Freight Charges	2035
Managers' Commission	1030
Calcutta Agency Expenses	1745
Cash in hand	122
Cr. Balances—	
Share Capital (issued 16200 Shares of £10 each, fully paid)	162000
Reserve	5000
Sundry Creditors	8851
B/P.	8010
Bank Overdraft	1870
P. & L. A/c. (undistributed balance as on 1st Jan.)	10500
Tea Sales	37860
Transfer Fees	5

Answer.—*Gross Profit* £22107; *Net* £11155; *Balance* £10555.

6. Smith, Brown & Robinson enter into partnership as equal partners for the purpose of purchasing the business of Peter White, who is retiring, on 1st Jan., 1905, upon the basis of the last B/S., which was as follows:—**Liabilities:**—Capital £20540; Sundry Creditors £3218; Reserve for depreciation £608; **Assets:** Leasehold Factory £12540; Machinery and Plant £8200; Patents £600; Sundry Debtors £1560; Stock £1458; Difference in Books £8. The purchase price of the business was agreed at £25000 which was paid to White. Cash was paid into the new firm's banking A/c. by the partners as follows:—Smith £12000; Brown £10000; Robinson £6000. Before opening the books of the new firm it was agreed (a) to transfer the Reserve for Depreciation to Machinery and Plant A/c., and to write off a further £200 as

depreciation, and (b) to write off £200 from Patents. Record the transactions in the books of the new firm, prepare B/S. disclosing the position of Smith, Brown & Robinson on commencing business. (*B/S.* £31218.)

7. A London Company, owning a mine in India, receives monthly cash statements, in Indian currency, from its local manager. How would you pass these returns into the company's books, and effect the necessary conversion into sterling? Illustrate your answer by means of rulings of the book or books you would suggest, and enter therein six imaginary transactions.

LONDON CHAMBER OF COMMERCE. (*Senior*, 1906.)

1. Briefly describe the uses of the Journal; and give particulars of the entries you would expect to find in the Journal of a business in which the "Sales" and "Bought" Ledgers were balanced independently, by means of adjustment a/cs.

2. Profit & Loss A/c. of John Brown,

Dr. Dairyman, for year ended 31st December, 1905. Cr.

To Office Salaries	£857		By Balance from Trading A/c.		£2299
„ Rent (1 year)	200		„ Provision for Bad Debts—		
„ Taxes Sch. D. paid for 1905-6	56		Amount reserved—		
„ Trade Expenses	532		31st Dec., 1904	£321	
„ Insurance (fire)	42		Amount reserved—		
„ Travelling Expenses	86		31st Dec., 1905	£277	
Depreciation on Plant at 15%	96				44
„ Bad Debts written off	113				
„ Discount A/c.	36				
„ *Net Profit*	325-				
	£2343				£2343

Prepare an a/c. for submission to the Income Tax Surveyor, and show the amount upon which Brown will have to pay tax (1/- in the £) for the year 1906-7. The profits of the business in previous years, as agreed with the Surveyor, prior to any allowance for wear and tear of plant, were as follows:—To 31st Dec., 1902, £2062; 1903, £1250; 1904, £786. Has Brown any grounds for claiming a Repayment of Tax for the year 1905-6? (***Entitled to return on*** **£314 6 8.**)

3. You are instructed to organise the book-keeping department of a small factory. What books of a/c. would you advise as necessary, and what rules would you lay down for the guidance of the staff and to ensure that the books are kept accurately and well up-to-date? Assuming that the clerks are three in number, mention what duties you would allot to each.

4. In preparing the P. & L. A/c. of a manufacturing firm, what different methods are there of providing for the waste of an asset owing (*a*) to wear and tear, as in the case of machinery; or (*b*) effluxion of time, as in the case of a building, erected upon leasehold land? What method do you favour for providing for such waste, and why? State briefly what entries would be required to carry your suggestions into effect?

5. A. F. Walters and J. B. Smith are in partnership as pipe manufacturers, the former taking ⅔rds. and the latter ⅓rd of profits. They also rent and work a retail shop. The shop manager sends in weekly returns of all transactions, and these are duly incorporated in the books of the head office. Prepare Trading A/c. showing the working results of the shop; also Trading, P.

& L. A/cs. and B/S. for the year ended 28th Feb., 1906. **Stocks** at Factory £3105, at Shop £470. The goods supplied by the factory to the shop were priced out at £4199 cost price. **Adjustments:**—(*a*) Interest on Cap. at 5%, (*b*) Reserves for: Rent, Rates, &c. A/c. (factory) for rent accrued due 28th Feb., £78; Ditto shop, 2 mos. rent due 28th Feb. (the annual rent being £360); Audit Fee £36, (*c*) Manager is entitled to commission at 2% on the gross profit realised by the shop, (*d*) Plant and Machinery to be depreciated at 10%; Fixtures and Fittings at 5%, (*e*) Provision for Bad and Doubtful Debts at 2½%.

Dr. Balances—		**Dr. Balances** continued—	
Plant & Machinery	£3280	Bills Receivable.....	£2000
Fixtures & Fittings (factory)	620	Salaries of Manager and Shop Assistant.....	266
Purchases	11780	A. F. Walker's Drawings ...	1212
Manufacturing Wages	6433	J. B. Smith's Drawings	606
Manufacturing Expenses ...	891	Cash at Bank	2512
Rent, Rates, Taxes, Light & Insurance (factory)	360	Cash at Factory	7
Ditto. (shop)	423	Cash at Shop	50
Stock 1st Mar., 1905 (factory)	3828		
Ditto. ditto. (shop)..	747	**Cr. Balances**—	
Cash Purchases (shop)	62	A. F. Walker's Cap A/c. ...	6200
Travellers' Commission (fcty.)	152	J. B. Smith's Cap. A/c.	3500
Office Salaries (factory)	280	Sales (factory)	19353
Office Exs., postage, &c. (facty.)	395	Sales (shop)	7538
Law Exs. & Audit Fee (facty.)	41	Sundry Creditors	2428
Bad Debts (factory)	8	Discount (factory).....	282
Sundry Debtors	2520	Reserve for Bad Debts as on 1st March, 1905	74
Furniture, Fixtures & Fittings (shop)	980	Bills Payable	78

Answer.—*Profit on Shop* £3000; *Gross Profit* £6725; *Net* £3966; *Bal. of Cap. A/cs. A.F.W.* £7942 *J.B.S.* £4391; *Total B/S.* £15073.

6. Prepare a Statement of Affairs & Deficiency A/c. of Samuel Hobson. Sundry Debtors:—Good £1280; Doubtful £2800 (estimated to produce £1000); Bad £700; Sundry Freehold Houses, &c., £3300 (estimated to produce £2000); 1000 Ordinary Shares in the Cable Telegraph Co. valued at par £1000; Mining and Railway Shares £9450 (£2500 are held as security by partly secured creditors, and the balance by fully secured creditors). Cash at Bank £420; B/R. (good) £800; Loss through the unsuccessful defence of an action at law £5420; Business Exs. £3200; Preferential Claims for Salaries and Rent £500. Creditors:—Unsecured £16740; Partly secured £5420; Fully secured £3110; Private drawings £1200; Hobsons' Capital A/c. £3800. (*Deficiency* £9820.)

7. What books, in addition to the ordinary Books of A/c., do you consider a manufacturer should keep in order to enable him to prepare a complete system of Cost A/cs.? What information do you consider that such a system would provide?

LONDON CHAMBER OF COMMERCE. (*Senior*, 1907.)

1. The Chilworth Motor Co., Ltd., registered in 1903, with nominal Capital of 200,000 6% Preference Shares £1 each, and 200,000 Ordinary Shares £1 each. During the year 1903, the whole of the Pref. Shares and 100,000 of the Ord. Shares were issued to the public and fully paid up, with the exception of

£100 calls in arrear on the Ord. Shares. The Co. was very successful and, during the year, 1906, offered the balance of the Ord. Shares to the public at a premium of 10/- per share. All the issue was taken up and duly allotted, payable as to 12/6 per share on application (including the premium), and 7/6 per share one month after allotment. No further calls were made during the year. Set out the Cap. of the Co., as it would appear in the B/S. as on 31st December, 1906.

2. Set out below is a statement prepared by Mr. J. Brown, a Cigarette Manufacturer, claiming to show the result of his year's trading, 31st December, 1906. Do you approve of the statement ? Give brief reasons in support of your views.

To Capital	£2659	By Plant & Machinery	£5059
,, Sundry Creditors	9850	,, Furniture & Fittings	187
,, Loan	2000	,, Goodwill	1500
,, Bank Overdraft	2000	,, Stock	6451
,, Balance, being Profit for the year	1591	,, Sundry Debtors	4484
		,, Cash in hand	19
		,, J. Brown, Private Drawings	400

3. How would you deal with the undermentioned items when preparing the annual a/cs. of a limited Co. ? (1) Transfer of £5000 to Reserve Fund. (2) £750 commission and expenses incurred in the issue of £8000 4% debentures repayable in 8 years from date of issue. (3) Transfer of £3500 to the Company's own Marine Insurance Fund. (4) An issue of 100 5% debentures of £100 each @ 95, repayable in 10 years from the date of issue at par.

4. Set out below is the B/S. as on 31st December, 1906, of Messrs. Black & White who are equal partners :—

To Capital—		By Land & Buildings	£22065
J. Black	£30000	,, Machinery & Plant	12800
W. White	20000 £50000	,, Stock	10760
,, Sundry Creditors	3700	,, Sundry Debtors	4250
		,, Cash at Bank	2750
		,, Investments	1075

A limited Co. with a nominal Cap. of £100,000 in Ord. Shares of £1 each, was formed to acquire and carry on the business. The vendors guaranteed the book debts, and agreed to pay off the creditors. The Co. took over the whole concern with the exception of the cash and investments, the purchase price being agreed at £60,000. The vendors were paid as to £50,000 in fully paid Ord. Shares, and as to the bal. in cash. The bal. of the Share Cap. was taken up by the public and fully paid up. Show the entri s to close books of the old firm, and to open those of the new Co.

5. Prepare Trading and P. & L. A/cs. and B/S. for the year ended 31st Dec., 1906, of the Postford Manufacturing Co., Ltd., the nominal Cap. consisting of 40,000 5% Pref. Shares of £1 each, and 10,000 Ord. Shares of £1 each. No dividend was paid for the year ended 31st Dec., 1905, on either class of share. The Company's books were balanced as on 31st Dec., 1906, **Stock** being valued at £9050. Provide 5% for bad and doubtful debts. Depreciate Plant and Machinery 10%, Boiler and Heating Plant 10%, Loose Tools 20%. Write off one-third of the Cost of New

Catalogue and one half of the Repairs a/c. against the current year, carrying the balances of these a/cs. to next year. Ledger Balances :—

Dr. Balances—	
Purchases	£15345
Buildings	24054
Fuel	485
Plant & Machinery	5654
Boiler & Heating Plant	592
Repairs	472
Loose Tools	1856
Office Expenses	362
Wages	13671
Discount	83
Salaries	1062
Postages & Telegrams	116
Rates & Taxes	239
Travelling	317
Interest & Bank Charges	402
Directors' Fees	300
Stock (1st Jan., 1906)	8990
Dr. Balances continued—	
Sundry Debtors	£9847
Goodwill	4000
Unpaid Calls	50
Cost of New Catalogue	300
Cash in hand	10
Cr. Balances—	
Sales	37950
Res. for Bad and Doubtful Debts as on (31/12/05)	250
Loan on Mortgage (charged on above premises)	8500
Sundry Creditors	10960
P. & L. A/c. (bal. from 1905)	206
Preference Share Capital	17520
Ordinary do.	8000
Bills Payable	2100
Bank Overdraft	2721

Answer.—*Gross* £8994 ; *Net* £4053 17 ; *Total B/S.* £54010 17.

6. The Birget Engineering Co., Ltd., purchased certain patents from Short & Sharp, under an agreement dated 30th June, 1906, at a cost of £40,000. £1000 of this sum was to be paid to the vendors in cash, and the balance in fully paid £10 Ord. Shares. Including the Shares allotted as fully paid to the vendors, the Co. issued Cap. to the extent of £75,000, consisting of £50,000 in Ord. Shares of £10 each (£1 on application, £4 on allotment, and £5 at the end of 3 months), and £25,000 in 5% Pref. Shares of £5 each (£1 on application, £2 on allotment, and £2 at the end of 3 months). Under the agreement with Short & Sharp, the patents passed to the Co. on 9th July, 1906, which date was also the date of allotment. All the shares issued to the public were fully subscribed and duly paid for with the exception of £200 calls in arrear on the Pref. Shares. All cash was paid direct to the Company's Bankers. Make the entries in the books of the Co. to give effect to the above and show how they would appear in the Company's first B/S.

7. In a business consisting of many departments (*e.g.* Co-operative Stores) how would you suggest that the Stock A/c. should be kept and Stocks recorded, so as to minimise the danger of a false return by the manager on the one hand, and to prevent pilfering on the part of dishonest employees on the other ?

LONDON CHAMBER OF COMMERCE. (*Senior* 1908.)

1. The Birchets Mineral Water Co., Ltd., sends out cases of aerated water to chemists in various parts of the country "on sale or return." Each chemist is at once debited in the Company's books with the water supplied at the price he is to obtain for it when sold, and is allowed to deduct 10% from this value when accounting for his sales. The personal accounts of all chemists so supplied are included in the ledger balances at the end of the year. How would you deal with these a/cs. when preparing the Company's P. & L. A/c and B/S. ?

2. The London and Westminster Grocery Co., Ltd., has a retail branch in Manchester, which is supplied with all goods from London. The branch shop keeps its own sales ledger, receives cash against ledger a/cs., and remits the whole of the cash received daily to the Head Office. All wages and branch exs. are drawn for by cheque weekly from the Head Office upon the imprest system. From the undermentioned particulars supplied by the branch manager show how the branch a/cs. would appear in the Head Office books and prepare a P. & L. A c. for the branch shop for the six months to 31st Dec., 1907.

Six months Credit Sales	£2387
Returns inwards	20
Cash received on Ledger Accounts	2384
Cash Sales	1214
Stock, 1st July, 1907	720
Stock, 31st Dec., 1907	1121
Debtors, 1st July, 1907	1227
Goods received from Head Office	2178
Rent, Taxes, etc., paid	375
Wages and Sundry Expenses paid	396

Answer.—*Gross Profit* £1804 ; *Net* £1033.

3. J. Moss & Co., of London, consign goods to the cost amount of £1500 to their agent, J. Solomon, Hong Kong, on which they pay freight, insurance, and charges £55, drawing on him at 90 days for £1300. They discount the bill at Lloyds Bank, being charged £15 therefor. They receive A/S. of the consignment for £1729, less Agent's Com., etc., £71, and a draft on the bank of Hong Kong for the balance. Make the entries in the books of Moss & Co.

4. An English Company owns a Tea Plantation in Ceylon. All the tea produced is shipped to a London firm of tea brokers who duly furnish A/S. and remit proceeds to the London office of the Company. The a/cs. of the detailed expenditure in Ceylon are kept in Indian currency and are sent to the Head Office in London monthly. The A/S. and the a/c. of the remittances to Ceylon are kept in sterling. What method would you adopt for dealing with the two currencies employed when writing up the Head Office books ?

5. The Chiddingfold Manufacturing Co., Ltd., was registered with a nominal cap. of £100000, divided into 50000 6% Pref. Shares of £1 each, and 50000 Ord. Shares of £1 each. The books of the Co. were balanced as on 31st Jan., 1908, on which date a T/B., containing the following balances, was extracted. Before closing the books the following adjustments are necessary :—Telephone rent paid in advance £25 ; Travellers' Commission owing £342 ; Rent due £379 ; Insurance unexpired £541 ; Reserve for discounts, &c., on Sundry Debtors £500 ; Write off the following Depreciations :—Machinery and Plant 10% ; Carts and Horses £214. The **Stock** on hand as on 31st Jan., 1908, was valued at £34839. The Directors decide to write off the whole of the Building A/c. and to transfer £7000 to Reserve A/c. from the profits of the year. Prepare Trading, P. & L. A/cs. and B/S. to 31st Jan., 1908.

Dr. Balances—	
Carriage, Dock Dues & Freight	£4773
Advertising	649
Fuel, Lighting and Water	2163
Postage and Incidentals	590
Catalogues and Price Lists	416
Packing	542
Machinery Repairs	177
Stable Expenses	913
Office Exs., Staty. & Telephone	1022
Debenture Interest	855
Directors' Salaries	1095
Buildings A/c.	903
Machinery and Plant A/c.	8750
Stock on hand, 1st Feb., 1907	38672
£5000 Consols (at cost) (Investment of Employees' Superannuation Fund)	4360
Cash in hand	210
Horses and Carts	720
Purchases	102664
Factory Wages	12704
Salaries & Travellers' Comm.	10691
Dr. Balances continued—	
Rents, Rates, Taxes & Insce.	£3178
Sales Returns	6619
Discount A/c.	2762
Bad Debts written off	203
Bank Charges & Interest	42
Legal Exs. and Audit Fee	418
Company's Contribution to Superannuation Fund	516
Debtors per Sales Ledger	19876
Cash at Bank	5784
Cr. Balances—	
Ordinary Share Cap. A/c.	5000
Pref. Share Cap. A/c.	20000
Debenture A/c. (200 of £100 each at 4½%)	20000
Employees' Superannuation Fund	4360
Transfer Fees	1
Purchases Returns	3748
Sales	174493
Creditors per Bought Ledger	4340
Bills Payable	320

Answer.—*Gross Profit* £47648 ; *Net* £19291 ; *Total B/S.* £73516.

6. On 1st Jan., 1907, A owes B £6000 for which B receives two acceptances from A, one for £2000 payable in two months, the other for £4000 payable in four months, in each case from 1st Jan., 1907. B duly discounts both these acceptances with his bankers on 3rd Jan., 1907, at 4%. Before the first bill becomes due A requests B to assist him in taking it up by providing him with £1000 in cash, and drawing a third bill on A for that amount at three months from the due date of the first bill plus interest at 5% per ann. ; B agrees to this proposal and advances the money, discounting the bill with his bankers at 4%. A week before the second bill for £4000 falls due A again asks B to assist him to the extent of £2500. B however is not in a position to do this, as his bankers will not discount any more of A's acceptances, he arranges with A to draw on him (B) two bills for £1131 16 8 and £1408 3 4 at two months and three months respectively from the due date of the £4000 bill. B duly accepts these two bills and remits them to A, who discounts them with his bankers at 4%, and assisted by the proceeds, duly meets the £4000 bill. B also meets his two bills on maturity. On 7th June, 1907, A becomes bankrupt, leaving his third bill unpaid. Make the entries in B's books.

7. State briefly how you would explain to a Book-keeping class the principles of the "Double Account" system, and enumerate some classes of undertakings to which it is applicable.

LONDON CHAMBER OF COMMERCE. (*Senior*, 1909.)

1. A limited Company was formed to take over an old established manufacturing business. The purchase price was fixed, by an agreement dated 1st Jan., 1909, at £60000, payable as follows :—

£25000 in £1 Ordinary Shares of the Co. issued as fully paid.
£25000 in 5% Debentures, repayable in 1919 at 105.
£10000 in Cash, payable on 1st February, 1909.

The Co. was duly registered with a nominal capital of £100000, consisting of 100000 Ordinary Shares of £1 each. On 15th January, 1909, 15000 Ordinary Shares were issued to the public and fully paid up with the exception of £150 calls in arrear upon the allotment call. The following is a list of the assets and liabilities taken over by the Co. :—Sundry Creditors £10000 ; Bills Payable £5000 ; Sundry Debtors £20000 (Less Reserve for Bad Debts £1500)—£18500 ; Stock-in-Trade £10000 ; Machinery and Plant £25000 ; Loose Tools £4000 ; Bills Receivable £2500 ; Cash at Bank £5000. Make the Journal Entries necessary for opening the Co.'s books and the entries required to record the issue of shares to the public, assuming that 10/- per share is payable on application and 10/- per share on allotment.

2. Jones, for the mutual and temporary accommodation of himself and Brown, draws upon the latter a bill of exchange at three months for £600, dated 1st January, 1908. Jones discounts this bill immediately at his bankers, the rate of discount being 5%, and hands half the proceeds to Brown. Brown, for a similar purpose, and at the same time, draws a bill at three months on Jones at £300. This he discounts at his bankers at 5%, and hands half the proceeds to Jones. Brown becomes a bankrupt on 31st March, 1908, and a first and final dividend of 5/- in the £ is paid on his estate on 30th June, 1908. Write up Brown's A/c. in Jones' books. Assume, in each case, that one half of the charge for discounting the bill is chargeable to Brown and one half to Jones.

3. You are preparing the Balance Sheet of a Limited Company of which you are the chief accountant, and find that there are bills under discount amounting to £10750. On going through the books you discover facts which point to the probability that £1000 worth of these bills will be dishonoured on maturity, but that there is a reasonable chance of eventually receiving 10/- in the £ on the £1000. How would you deal with these bills under discount, and how should they appear in the Co.'s published accounts ?

4. Robinson, on 31st August, 1907, buys from Tuck & Co., 150 tons of coal at 7/6 a ton at the pit mouth, and pays for them at once by cheque, being allowed a discount for cash of 2½%. He pays 1/3 a ton for carriage by rail and 9d. a ton for cartage. He sells the coal to a Sheffield Manufacturing Co. at 12/6 a ton on 14th September, and draws a bill, at two months, for the amount. The bill is dishonoured at maturity, but is immediately paid by the Manufacturing Co. upon demand being made to them. Draw the bill of exchange and make the entries necessary to record the above transactions in Robinson's books, and show what profit or loss Robinson made upon the deal after charging 10% on the original cost of the coal for establishment expenses.

5. The Engine & Motor Co., Ltd., has a nominal capital of £100000, divided into 75000 ordinary shares of £1 each and 2500 6% cumulative preference shares of £10 each. The books of the

Co. were balanced on 31st March, 1908, on which date a T/B., containing the books the following balances, was extracted. Before closing the books the following adjustments are necessary :—(1) A portion of the premises has been sublet, since 1st January, 1908, at £80 per ann., and the rent due to date has not been paid or passed through the books ; (2) The Insurance unexpired amounts to £30 ; (3) 11 months only of the Office Salaries have been paid ; (4) Make the Reserve for Bad Debts equal to an amount representing 5% on the Sundry Debtors (excluding sundry debtors for rent) ; (5) Write off the whole of the Preliminary Expenses ; (6) Write off the following depreciations :—(*a*) Plant and Machinery 10% ; (*b*) Office Furniture 10% ; (*c*) Patterns 15% ; (*d*) Patents 20%. **Stock** on hand on 31st March, 1908, was valued at £23995, and the Loose Tools at £2730. Prepare Trading, P. & L. A/cs. and B/S. to March, 1908.

Dr. Balances—	
Freehold Premises	£12675
Plant & Machinery	11595
Calls in Arrear	2000
Stock, 31st March, 1907	14665
Office Furniture	545
Loose Tools, 31st Mar., 1907	3125
Patterns	3155
Patents	1535
Goodwill A/c.	3000
Sundry Debtors	31215
Cash at Bank, Current A/c.	985
Cash at Bank, Deposit A/c.	10000
Cash in hand	45
Sales Returns	975
Purchases	71245
Manufacturing Wages	25595
Repairs & Renewals of Plant	1245
Coal	2765
Gas and Water	475
Rates, Taxes & Insurance	865
Office Salaries	750

Dr. Balances continued—	
Trade Expenses	£2165
Bad Debts written off	615
Directors' Fees	300
Carriage	4155
Audit Fee & Legal Expenses	205
General Expenses	945
Discounts allowed	1235
Preliminary Expenses	350
Travelling Expenses	465
Cr. Balances—	
Ordy.ShareCap.(50000shares)	50000
Pref. Share Cap. (2500 shares)	25000
P.& L.A/c. (Bal.31stMar.,07)	1545
Sales	107015
Purchases Returns	1675
Sundry Creditors	12805
Bills Payable	8765
Res.forBadDebts(31stMar.07)	1165
Interest on Bank Deposit A/c.	45
Discounts Received	875

What dividend, if any, would you recommend the Directors to propose taking into consideration that the dividend on the Pref. Shares for the year ended 31st March, 1907, has not been paid ?

Answer.—*Gross Profit* £16050 ; *Net* £1787 ; *Total B/S.* £97970.

6. A Limited Company has a nominal capital of £250000, in 25000 shares of £10 each. Of these, 4000 shares were issued to the vendors as fully paid, 8000 shares were subscribed for by the public, and during the first year £5 per share was called up. 2000 were issued, as fully paid, to persons other than the vendors, in payment for property purchased. On the 8000 shares subscribed for by the public there had been paid at the end of the first year :—On 6000 Shares, the full amount called ; on 1250 Shares £4 per share ; on 500 Shares, £3 per share ; on 250 Shares, £2 per share. The Directors forfeited the 750 Shares

on which less than £4 had been paid. You are required to submit the Journal Entries recording the capital transactions of the Co., and to set out the capital as it should appear in the Co.'s B/S. at the end of the first year.

7. Describe briefly the books of account which you would expect to find in use in a bank. State what the "General Ledger" of a bank should contain, and what information you would expect it to afford.

LONDON CHAMBER OF COMMERCE. (*Senior*, 1910.)

1. What is the difference (if any) between "Fixed" and "Floating" Assets? Designate to which class the undermentioned assets, the property of a boot manufacturer, belong :— Book debts ; stock-in-trade ; consols £200 ; plant and machinery ; freehold land ; bills receivable ; goodwill ; patents.

2. Prepare the return, for income tax assessment under Schedule (D), for the current year relating to the business of Boorman & Bashall who share profits equally. The P. & L. A/cs. showed the following :—1907 profit £3219 ; 1908 profit £1294 ; 1909 profit £1984. Before arriving at the above profits the following items were charged in the a/cs. :—

	1907.	1908.	1909.
Interest on Capital	£490	£510	£520
Income Tax, Schedules (D) & (A)	67	72	84
Partners' Salaries	300	300	300
Depreciation of Plant	150	165	151
Charitable Donations	15	16	20

The firm's premises are freehold and are assessed for Property Tax, Schedule (A) at £600 per ann. The surveyor of taxes declines to allow the above provisions for depreciation, but agrees to an annual allowance of £100 for wear and tear. Mr. Bashall holds a policy of assurance, with a British office, upon his own life, the annual premium upon which is £56. (*Assessment of Firm on* £2463.)

3. Robert Webber keeps his books by the "single-entry" method. His position on 31st Dec., 1908, was as follows :— Cash in hand £12 10 ; Cash at Bank £153 ; Stock-in-Trade £642 15 ; Sundry Debtors £421 10 ; Fixtures and Fittings £89 ; Machinery and Plant £981 ; Sundry Creditors £1209 15. During the year Webber withdrew from the business, for private purposes, the sum of £480. On the 31st Dec., 1909, Webber's position was as follows :—Machinery and Plant £1350 10 ; Fixtures and Fittings £80 10 ; Sundry Debtors £732 ; Stock-in-Trade £950 10 ; Cash in hand £15 ; Bank Overdraft £500 ; Sundry Creditors £1400 10. From the above, prepare a Statement showing the profit made by Webber for the year ended 31st Dec., 1909. No depreciation need be written off any of the assets, and no provision for bad and doubtful debts is necessary.

4. What is an "Account Sales?" In what particulars (if any) does it differ from a "Consignment A/c." ? On 15th Oct., 1909, Delmaine Bros., of London, shipped to Donnison & Sons, of Port Elizabeth, 60 cases of mixed Sheffield goods. These

goods were invoiced *pro formâ* at £32 10 per case. The London payments in connection with this consignment were :—Insurance £10 12 ; Freight £54 12 ; Sundry charges £3 15. The payments made by Donnison & Sons in South Africa, were :—Storage £16 12 ; Landing charges £6 10 ; Insurance £2 11. (On 15th Dec., Donnison & Sons sold 30 cases of goods at £45 per case, on 17th Dec., 25 cases at £50 per case, and on 19th Dec., the balance of the consignment at £51 per case. All the above sales were effected for prompt cash. A commission is payable to Donnison & Sons of 2% on all sales plus 1½% *del credere* commission. On 1st Nov., Delmaine Bros., drew a Bill on Donnison & Sons for £1000, which was duly accepted. Prepare an "Account Sales" showing the result of the above consignment, and show the transactions in Delmaine Bros. books.

5. The Wayside Boot Co., Ltd., was registered with a Nominal Capital of £50000, divided into 10000 Preference Shares of £1 each, and 800000 Ordinary Shares of 1/- each. Before closing the books the following adjustments are necessary :—One month's carriage is owing and has not been passed through the books £472 ; Rent due to landlord but not provided for £150 ; Value of Unexpired Insurance Premium £197 ; Wages paid in advance £84 ; Reserve to be created for Bad Debts £750 ; Write off the following depreciations :—Machinery and Plant 10% ; Horses and Vans £146 ; Land and Buildings 2½% ; **Stock,** 31st Dec., 1909 :—Finished Goods £13241 ; Raw Materials and Unfinished Goods £5192. Prepare Trading, P. & L. A/cs. and B/S. to 31st Dec., 1909.

Dr. Balances—	
Goodwill A/c.	£5000
Pension Fund Investments..	4540
Stable Expenses	421
Machinery & Plant A/c.	7455
General Expenses	939
Cost of Trade Catalogues	256
Bank Charges	17
Company's Contribution to Pension Fund	500
Bonus paid to Employees	763
Gas, Electricity and Water	1567
Manager's Salary	1500
Purchases	97651
Directors' Fees	250
Boxes & Packing	674
Discounts allowed	1251
Sales Returns	946
Carriage	3460
Stock in hand, 1st Jan. :—	
Finished Goods	11264
Materials & Unfinished Goods	8457
Cost of Repairs to Machy. & Plant	293
Debtors as per Sales Ledger	16245
Bad Debts written off	315
Factory Wages	7299

Dr. Balances continued—	£	s.
Int. paid on Debentures	238	10
Postage & Stationery	444	–
Horses & Vans	946	–
Audit Fee & Legal Charges	274	–
Rent, Rates, Taxes & Insce.	1173	–
Office Salaries	4216	–
Bills Receivable	1931	–
Advertising	470	–
Freehold Land & Buildings	18442	–
Cash at Bank	3259	–
Cash at Bank (Pension Fund)	440	–
Cash in hand	75	–
P. & L. A/c., 1st Jan.	1236	–
Cr. Balances—		
Ordy. Share Cap. A/c.	35820	–
Pref. Share Cap. A/c.	10000	–
Pension Fund	4980	–
Debenture Cap. (100 5% Debs. of £50 each)	5000	–
Transfer Fees received	1	10
Purchases Returns	1243	–
Bills Payable	2162	–
Discounts received	1978	–
Sales	131276	–
Creditors as per Bought Led.	11747	–

Answer.—*Gross* £21487 ; *Bal. for Distribution* £4613 9 ; *Total B/S.* £74944 9.

6. Baxter & Sons, whose head office is in London, remitted £500 to their Manchester Branch on 30th Dec., 1909. The books of the Head Office and the Branch are balanced as on 31st Dec. each year. The above-mentioned remittance did not reach Manchester until the morning of the 1st Jan., 1910. How would you deal with the amount in question in the Trial Balances of the Head Office and Branch, and when preparing the combined B/S. of the whole business ?

7. Is there any difference between a Receipts and Payments A/c. and an Income and Expenditure A/c. ? The following particulars relate to the Chilworth Literary Society for the year ended 31st Dec., 1909 :—Subscriptions received £110 ; Interest received on Investments £38 ; net proceeds received from lectures and concerts £232 ; Rent paid for use of Hall £21 ; Petty Cash payments £10 ; Advertising paid £21 ; Printing Expenses paid £12 10. The Society holds ten 4% Debentures of £100 each in the Universal Library, Ltd. As on 31st Dec., 1909, the Society owed £8 for Rent of Hall and £9 10 for Printing. Prepare the Society's annual Statements of Account for the year ended 31st Dec., 1909.

LONDON CHAMBER OF COMMERCE. (*Senior*, 1911.)

1. James Jowitt & Co., printers, purchased three monotype machines on 1st Jan., 1910, at a cost of £1000 each. The firm's engineer reports that, with care and proper repairs, the machines will remain efficient for ten years. At the end of that period the machines will be sold. The current market price of machines of this type after ten years' use is about £100 each. Advise as to how the depreciation on the above machines should be treated in the books of the firm. Submit alternative methods for the consideration of the partners, and state which you prefer, and why. **2.** What is meant by the term "Columnar Book-keeping" ? Prepare a form of a columnar ledger suitable for use in a small hotel, and enter the following details :—Tuesday, Jan. 17th, 1911. Visitors' a/cs. J. Hughes (Room 1), Balance from previous day £1 12s. 6d., apartments 7s. 6d., breakfast 2s. 6d., lunch 3s. 6d., dinner 5s., wine 8s. 6d., spirits 9d., cigars 1s., postages 6d., laundry 3s. 4d. F. J. Griffiths (Room 5), apartments 5s., breakfast 2s. 6d., tea 1s. 6d., supper 2s., liqueurs 9d., minerals 1s., bath 1s., fire 1s. (J. E. Elliott (Room 3), balance from previous day £2 10s. 6d., breakfast 2s. 6d., bus to station 6d., cash received in settlement of bill £2 13s. 6d.

3. The following assets are the property of the Reliance Boot Manufacturing Co., Ltd. How should they be valued for balance-sheet purposes ? (*a*) Twenty Debentures of £100 each in

the Southern Railway of America, representing the investment of the reserve fund. The debentures were purchased at par., but the market price has since fluctuated between 94 and 108; the former quotation being the mean market price as on 31st Dec., 1910, the date upon which the balance sheet of the Reliance Boot Manufacturing Co., Ltd., is prepared. (*b*) Patents £2000. This amount represents the original cost of the patent rights in a welting machine. The grant of letters patent is dated 1st Jan., 1906. (*c*) Goodwill £5000. This asset was purchased in 1905, at the price named, upon the formation of the limited company. The trading profits have steadily declined from £4200 in 1906 to £2124 in 1910.

4. Richard Robson is in business as a manufacturing engineer, and his profits, as agreed with the surveyor of taxes, were as follows :—Year ended 31st December, 1907, £4550; 1908, £4260; 1909, £3980; 1910, £3925. He also earned during the same period; 1908, Professional Fees, £150; 1909, Directors' fees, £200; 1910, Directors' fees, £300. R. Robson also enjoyed the income from investments (all of which was taxed at its source) amounting to £900 per ann. gross. Robson's life was insured in a British office, the annual premium amounting to £100. Mrs. R. Robson possessed private income amounting to £650 gross per ann.; throughout the above period all this income was also taxed at its source. Give R. Robson's income tax return, Schedule (D), for the year ending 5th April, 1912 (tax 1/2 in the £), and state the amount of tax for which he is liable. (*Answer* :—£400 12 4.)

5. The following balances were extracted from the books of the Stambridge Publishing Co., Ltd., as on 31st Dec., 1910. The nominal capital of the Company consists of 10,000 Ordinary Shares of £1 each, and 4000 6% Preference Shares of £5 each. In addition to the publishing department, the company has a "supply department" for the sale of the various goods advertised in its publications. Prepare a Publishing Trading and P. & L. A/c., a Supply Trading and P. & L. A/c., a general P. & L. A/c., and a B/S., for the year ended 31st Dec., 1910. The publishing **stock**, on 31st Dec., 1910, was valued at £700, and the supply **stock** at £4500. Before preparing the annual a/cs. it is necessary to take the following matters into consideration :—(*a*) £500 provision for bad and doubtful debts is to be made, no provision having been made in the past. (*b*) Write off 10% depreciation on furniture, etc. (*c*) Charge 2½% on the net profits of the business as Managing Director's commission. (*d*) Half the cost of the designs is to be borne by each department. (*e*) Write off one-third of the general advertising expenses and carry forward the balance. (*f*) It was decided to pay no dividend on the ordinary shares for the year ended 31st Dec., 1909, but to pay the preference dividend, and to transfer £2000 to Reserve. The latter transfer has not been made.

Dr. Balances—	
Copyrights A/c.	£18000
Directors' Fees	400
Calls in arrear (being 10s. per share on 20 Ordy. Shares)	10
Cash in hand	90
Cash at Bank	1760
Bank Charges	10
Paper & Printing	4250
General Office Salaries	300
Engraving Blocks	150
Rent, Rates & Taxes	400
Stationery (General Office)	80
Literary Contributions	400
Insurance	30
Goodwill	4000
General Advertising Expenses	6000
Designs for Publication	1000
General Expenses	350
Managing Directors' & Secretary's Salaries	1500
Div. paid on Preference Shs.	1130
Furniture, Fixtures & Fittings	940
Travelling Expenses	60
Sundry Debtors	3220
Bills Receivable	190
Publishing Dept.—Carriage	140
Do. Postage & Telegrams	30
Do. Advertising Expenses	150

Dr. Balances continued—	
Publishing Dept.—	
Do. Trading Expenses	£110
Do. Discount (Dr. bal.)	10
Do. Bad Debts	20
Do. Wages & Salaries	500
Supply Dept.—Purchases	9000
Do. Carriage	1200
Do. Trade Expenses	150
Do. Wages & Salaries	1500
Do. Discount (Dr. bal.)	30
Do. Postages & Telegrams	90
Stock, 31st Dec., 1909, Publishg Dept.	800
Do. do. Supply Dept.	4000
Cr. Balances—	
P. & L. A/c. (Cr. bal. 31st Dec., 1909)	4120
Supply Dept. Sales	17000
Publishing Sales	5500
Pub. Dept.—Subscribers (amts. recd.)	40
Do. Adverts. received	4100
Reserve A/c.	3000
Ordinary Share Capital	4790
Preference Share Capital	20000
Bills Payable	2200
Sundry Creditors	1250

Answer.—*Profit of Pub. Dept.* £3830; *Supply Dept.* £5030; *General Profit* £2586; *Bal. for Appropriation* £3511 7 –; *Total B/S.* £36806.

6. A firm of motor manufacturers contracted to supply 50 cabs to a Motor Cab Co., ten cabs on the first day of each of the following months :—June, July, August, September, October. Under the agreement the manufacturers, in case of late delivery, were liable to refund to the cab company any *actual loss* which might arise owing to non-delivery of cabs on the promised dates. The manufacturers were not, however, to be liable for any loss of profit which might have been earned by the cabs if delivered as promised. The first batch of cabs was delivered on the agreed date, the second batch was 7 days late, the third 10 days late, the fourth 15 days late, and the fifth 8 days late. The rent and other fixed charges of the Cab Company were the same for 10 cabs as for 50, namely £30 per week. Prepare an a/c. showing the claim to be made by the Cab Co. and explain the reasons which guided you in its preparation.

7. How should the following items be treated in the a/cs. of a Limited Company ? :—(1) An issue of 1000 debentures of £100 each, issued 1st Jan., 1911, at 90, repayable in 1921. (2) An expenditure of £5000 on advertising a new patent medicine. The sales of the first year amounted to £1500, but were on the up grade. (3) A debt owing by a director of the company.

LONDON CHAMBER OF COMMERCE. (*Senior*, 1912).

1. Prepare, in the proper statutory form, the Revenue A/c. of the Minster Assurance Co., Ltd., for the year ended 31st Dec., 1911, from the following figures :—Claims : By Death £76140 ; By Maturity £30110 ; Premiums £705690 ; Transfer Fees £129 ; Consideration for Annuities granted £82127 ; Annuities paid £53461 ; Bonuses paid in Cash £2416 ; Expenses of Management £31920 ; Commission £9574 ; Interest, Dividends and Rents £97840 ; Income Tax thereon £5710 ; Surrenders £13140 ; Bonus in reduction of Premiums £980 ; Dividends paid to Shareholders £5500 ; Amount of Life Assurance Fund at the beginning of the year £1521000.

2. The Nominal Cap. of the Richmond Co., Ltd., consists of 100,000 Shares of £1 each. The whole of these Shares were issued in 1910, and were fully called up in four instalments of 5s. each. On 12th Feb., 1911, after due notice, the directors passed a resolution forfeiting the 1000 Shares held by Mr. W. A. Richardson, the final instalment due upon his holding not having been paid. On 1st May, 1911, the 1000 Shares thus forfeited were issued as fully paid, to Captain Heyward, who paid £500 for them. Give the entries necessary to record these transactions in the Company's books.

3. The George C. Waud Finance Corporation, Ltd., hold a large number of investments. Explain briefly what records you would advise the Co. to keep relative to their investments. Give a *pro formâ* ruling of the Ledger A/c. you recommend and enter therein not more than six items. **4.** What is "Super Tax" ? Upon whom is it levied ? Upon what basis are the trading profits of a partnership assessed for this Tax ?

5. The A. R. Waddell Co., Ltd., which was formed to purchase a manufacturing business, was registered on 1st Jan., 1911, with a Nominal Cap. of £100,000, divided into 10,000 Ordy. Shares of £10 each. With the undermentioned exception, these Shares were offered to the public, and 7500 were subscribed for and duly allotted. As part purchase price of the business, 500 Shares were allotted as fully paid to the vendor. The Shares issued to the public were payable as follows :—£2 10s. per share on application, £2 10s. on allotment, £2 10s. on 31st Mar., 1911, and the balance as and when required. The final balance had not been called up on 31st Dec., 1911. In addition to the balance of the Cap. A/c., the following balances appeared in the books of the Company on 31st Dec., 1911. Before closing the books the following adjustments are necessary :—(*a*) 10% Depreciation is to be written off Plant and Machinery ; (*b*) The Res for Bad Debts is to be made up to £500 ; (*c*) Insurance paid in advance £50 ; (*d*) The £2505 spent upon Alterations and Improvements to be written off by five equal annual instalments, ending 31st Dec., 1915 ; (*e*) The whole of the Preliminary Exs. (part having been borne by the vendor), are to be written off ; (*f*) **Stock** 31st Dec., 1911, £12,347. Prepare Trading and P. & L. A/cs. for the year ending 31st Dec., 1911, and B/S. as on that date. State what conclusions the a/cs. of the Co. would lead you to arrive at.

Salaries	£3060	Freehold Land & Buildings	£26000
Manufacturing Wages	22421	Reserve for Bad Debts	250
General Expenses	941	Goodwill	10000
Stock, 1st Jan., 1911	10210	Purchases Returns	4001
Rents received	300	Sales Returns	4759
Res. for Depr. of Buildings	3000	Bills Payable	962
Carriage	6119	Alterations & Improvements	2505
Sundry Debtors	16342	Advertising	2793
Sundry Creditors	6124	Directors' Fees	750
Rates, Taxes & Insurance	2450	Legal Expenses	61
5% Debentures	5000	Preliminary Expenses	447
Deb. Int. (from date of issue to 30th June, 1911)	107	Plant, Machy. & Fixtures	9510
Purchases	102551	Lighting & Heating	766
Sales	142412	Discount A/c. (Dr. bal.)	1174
Calls in Arrear	250	Travellers' Exs. and Comm.	647
Repairs & Renewals	1027	Bank Overdraft	1789
		Cash in hand	198

Answer.—*Gross Profit* £12700 ; *Net Loss* £3000 ; *Total of B/S.* £78000.

6. Are the published a/cs. of Gas Companies subject to any statutory regulations ? Give the rulings you would recommend for any two of the principal books employed by Gas Companies, and briefly describe the uses of the books you illustrate.

7. Messrs. Pernet Ducher & Co., Ltd., London, have a branch office in a South American Republic, where the exchange fluctuations are considerable. The books of the branch are kept in local currency only, and, at the close of each financial year, a T.B., P. & L. A/c., and B/S. are sent to the London Office. Briefly describe how you would amalgamate the branch figures with those of the head office. At what rates would you convert (1) the P. & L. A/c. balance, (2) the Floating Assets, (3) the Fixed Assets, and (4) Remittances from London.

LONDON CHAMBER OF COMMERCE. (*Senior*, 1913.)

1. The Northern Colliery Co., Ltd., took a lease of a coal mine for a period of 20 years from 1st Jan., 1906. Under the lease a royalty of 6d. per ton upon the output was payable, with a minimum rent of £400 per ann., with power to recoup "short-workings" over the first 5 years of the lease. Show the Royalty, Short-workings and Landlord's A/cs. in the books of the Colliery Co., assuming that the annual outputs for the first 5 years of the lease were :—1906, 10,000 tons ; 1907, 15,000 tons ; 1908, 17,000 tons ; 1909, 18,000 tons ; 1910, 20,000 tons.

2. On 1st Jan., 1912, a Company, with a Nominal Cap. of £20,000 divided into 10,000 Ordy. Shares of £1 each and 1000 6% Pref. Shares of £10 each, was formed to acquire the business of Albert Durand. It was agreed to allot as fully paid to the Vendor, as purchase consideration of the assets acquired, 5000 Ordy. Shares and 500 Pref. Shares. On the 5th Jan., 1912, the balance of the Ordy. Shares was issued to the public at a premium of 5/- per share, and 75% of this issue was duly applied for, the terms of subscription being 10/- per share (including the premium) on application, 7/6 per share on allotment, and the balance on 31st Mar. The Co. carried out its agreement with Albert Durand, and went to allotment on 12th Jan. All cash due on application and allotment was paid with the excep-

tion of that due on allotment of 500 shares to Victor Verdier. These shares were forfeited by resolution of the Directors on 15th Mar., 1912, and were re-issued on 22nd Mar., to Hugh Dickson on payment of the amount due on the shares. Show how these transactions would appear in the books of the Co., assuming that the call due on 31st Mar. has been made, but that no cash has been received in respect of it.

3. What do you understand by a Preliminary Expenses A/c. ? What expenses are commonly charged to this a/c., and why ?

4. What benefit does a consignor derive from drawing a bill upon his consignee against the goods consigned ? Show, by *pro formâ* entries, how such a bill would be treated in the consignor's books.

5. On 1st July, 1911, a Co. was formed to manufacture a patent medicine, with a Nominal Cap. of £50,000, consisting of 50,000 £1 shares. The shares were offered for public subscription, and 38,000 shares were applied for and allotted. On 30th June, 1912, 15/- per share had been called up and, with the exception of 5/- per share on 400 shares, had been paid. In addition to the above balances, the following balances appeared in the books of the Co. on 30th June, 1912. Prepare Trading, P. & L. A/cs. and B/S. for the year ended 30th June, after taking into consideration the following :—(*a*) Depreciate Plant & Machy. 10% ; (*b*) Depreciate Fixtures & Fittings 5% ; (*c*) Res. for Bad and Doubtful Debts to be created, 2½% on Sundry Drs. ; (*d*) The amt. expended on Advertising to be written off by equal annual instalments over 3 years ending 30th June, 1914 ; (*e*) All Preliminary Exs. to be written off ; (*f*) Manager of Co. is entitled to 5% commission on the Net Profits, after charging such commission and all other charges and appropriations of profits, except dividends ; (*g*) Rates and Insurance unexpired and paid in advance on 30th June, 1912, were £39 4s. 1d. and £47 2s. respectively ; (*h*) **Stock**, 30th June, £3942 1s. 10d.

Cash at Bank	£3622	17	6	General Expenses	£216	4	6
Cash in hand	96	4	1	Purchases	6428	13	4
Sales	22947	1	4	Purchases Returns	314	6	2
Sales Returns	429	2	2	Rent, Rates & Taxes	614	10	10
Insurance & Rev. Stamps	647	9	1	Lighting & Heating	97	16	7
Int. on temporary Bank Deposit	14	1	–	Sundry Debtors	5414	14	1
Plant & Machinery	9673	10	–	Sundry Creditors	2141	14	3
Fixtures & Fittings	976	6	8	Bills Payable	612	6	–
Manufacturing Wages	8610	4	7	Preliminary Expenses	207	6	1
Advertising	14205	19	9	Discount A/c. (excess of discount allowed over dis. received)	92	7	–
Salaries	942	–	–	Directors' Fees	150	–	–
Carriage Inward	412	19	10	Electric Power	949	19	11
Carriage Outward	641	2	9				

Answer.—*Gross Profit* £11322 9 5 ; *Net Profit before charging Managers' Commission*, £977 2 6 ; *Total of B/S.* £32131 2 9.

6. State briefly any defects which the Double A/c. System of accounting presents. **7.** A London manufacturing company establishes a branch in South America where the local currency is subject to constant fluctuations in value. Give concise instructions for the use of the London book-keeper, showing how the a/cs. as between London and South America are to be kept and adjusted.

LONDON CHAMBER OF COMMERCE. (*Senior*, 1914.)

1. The P. & L. A/cs. of the business of Abel Chatenay, as agreed with the Surveyor of Taxes, disclosed the following results :—1909, Profit £9,500 ; 1910, Loss £610 ; 1911, Profit £10,820. A. Chatenay's gross income, apart from the above, for the year preceding assessment was as follows :—Dividends and Interest (gross), £1,200 ; Director's Fees, £500 ; Rents from House Property, £900 ; Wife's Income, £500. His life assurance premium amounted to £180 per annum. Prepare A. Chatenay's return for Super-Tax for the fiscal year 1913-4. **2.** The income of the North Eastern Rubber Trust, Ltd., is derived from investments in rubber and other commercial companies. Design a ledger suitable for the record of the investments of the Company, and make three specimen entries therein.

3. The P. & L. A/c. of Soleil d'Or, Ltd., prior to the payment of debenture interest for the half-year to 31st Dec., 1913, disclosed a profit of £12850 as on 31st Dec., 1913. The Paid-up Capital of the Company consisted of £100,000, divided into 50,000 5% Preference Shares of £1 each, and 50,000 Ordinary Shares of £1 each. 100 Debentures of £100 each at 4% had also been issued. The Directors made the undermentioned recommendations for the disposal of the above balance which were approved by the Shareholders at the Annual Meeting :—(1) To pay the half-year's interest to 31st Dec., 1913, due on the Debentures. (2) To pay the Preference dividend for the half-year to 31st Dec., 1913. (3) To pay a dividend for the year ended 31st Dec., 1913, of 10% on the Ordinary Shares, free of Income Tax. (4) To transfer £5,000 to Reserve, raising that Account to £15,000 in all. (5) To carry forward the balance to next year. Show the entries necessary to record these transactions in the books of Soleil d'Or, Ltd.

4. Mr. Robert Royce's book-keeper found the undermentioned slips in the pocket of his employer's Bank Pass Book with The Union Banking Co., Ltd. :—(1) Debit Slip. 28th January, 1914. Debit Robert Royce, Current Account for transfer to Deposit Account, £250. L.C.C. Accountant. (2) Debit Slip. 26th Jan., 1914. Debit Robert Royce, Interest on loan to date. £29 2 9. L.C.C. Accountant. (3) Debit Slip. 31st January, 1914. Debit Robert Royce, Cheque Book. 8/4. L.C.C. Accountant. Briefly describe the meaning of these documents and the entries which would be necessary with reference to them in the books of Mr. R. Royce. Explain why slips of this nature are employed by Bankers.

5. On 1st Jan., 1913, a Co. was formed to take over the business of John Brown & Co., Manufacturing Confectioners, with a Nominal Cap. of £60,000 consisting of 60,000 Shares of £1 each. 10,000 Shares were issued as fully paid to the Vendors in part payment of the various assets included in the purchase price. The remainder of the Shares were offered to the public for subscription, and 34,000 were applied for and allotted. On 31st Dec., 1913, 17/6 per share had been called up and duly paid, with the exception that a call of 2/6 per share was unpaid on 280 shares, and that 400 shares had been paid for in full. In

addition to the balances represented by the above, the following balances appeared in the books of the Co. on 31st Dec., 1913. Prepare Trading, P. & L. A/cs. and B/S. for the year ended 31st Dec., 1913, after taking into consideration the following :— (*a*) Depreciate Plant & Machy. 10% ; (*b*) Depreciate Fixtures & Fittings 5% ; (*c*) £100 is to be written off Preliminary Exs. ; (*d*) £250 is to be reserved for Directors' Fees ; (*e*) Res. for Bad and Doubtful Debts to be created, 2½% on Sundry Debtors ; (*f*) The Vendors to be charged with £34 8s. 7d. being bad debts made on Sundry Debtors' balances guaranteed by them ; (*g*) Rates and Insurances owing and paid in advance respectively were £36 8s. and £43 8s. 6d. ; (*h*) **Stock** 31st Dec., 1913, £5,643 10s. 8d.

Cash in hand	£79	8	7	Travellers' Salaries & Expenses	£1860	4	3
Cash at Bank	2106	4	8	Carriage Outward	1441	19	9
Stock (1/1/13)	4005	–	6	Goodwill	5000	–	–
Sales	21845	9	–	General Expenses	297	14	1
Purchases	10841	11	9	Returns Inward.....	413	2	6
Rates & Insurance	528	–	9	Returns Outward	214	1	6
Plant & Machinery ...	6793	10	–	Debtors	5314	8	6
Fixtures & Fittings....	769	8	7	Creditors	1783	4	5
Manufacturing Wages	4180	2	9	Preliminary Exs.	389	7	6
Bad Debts	218	7	6	Discount A/c. (excess of discounts allowed over those received).....	1467	7	11
Freehold Premises.....	17000	–	–				
Salaries	692	–	–				
Factory Power.....	89	7	4				
Lighting	120	8	–				

Answer.—*Gross Profit*, £8173 16 4 ; *Net Profit*, £388 9 6 ; *Total of B/S.* £42223 1 11.

6. The debit and credit sides of the Balance Sheets of limited companies are often headed "Liabilities" and "Assets," respectively. Have you any objection to this practice ? Is there any obligation to provide for any waste which may occur either in the fixed assets or in the floating assets of a limited company ? If so, how should such waste be dealt with ? **7.** Give a form of a Valuation B/S. of an Insurance Co. What is the object of such a B/S., and when is it usually prepared ?

LONDON CHAMBER OF COMMERCE. (*Senior*, 1915.)

1. On Jan. 1, 1915, A. R. Goodwin purchased a machine for £1000. His engineer advised him that the machine would be useless for his purposes in four years, and that it would then realise £100 at scrap prices. Give two methods of providing for the depreciation of this machine.

2. Explain the meanings of the following items, which have been extracted from the A/cs. of a Life Assurance Company, and state where they would appear in the published annual A/cs. :— (*a*) Amount of Life Assurance Fund at the end of the year, (*b*) Income Tax on Interest and Dividends received, (*c*) Surrenders, (*d*) Outstanding premiums.

3. On Jan. 5, 1914, W. J. Grant applied for, and was duly allotted, 500 Ordinary Shares of £1 each, in Horace Vernet, Ltd. He paid 2s. 6d. per share on application, and 5s. per share on allotment (Feb. 5). He failed to pay the first (and final) call of 12s. 6d. per share, made on Aug. 4, 1914, and his shares were consequently forfeited on Jan. 15, 1915. On March 1, 1915, the Directors issued the 500 Shares to Alfred Colomb,

upon his undertaking to pay for them at the rate of 17s. 6d. per share. Give the entries necessary to record these transactions.

4. Prepare a statement showing the liability of Antoine Rivoire, M.P., for super-tax for the year 1914-15. Share of assessed profits of Rivoire, Lefebvre & Co. for the year 1913-14, £4765; Interest on Cap., £400; Directors' Fees, £500; Dividends from Investments (Gross), £315; Wife's Income (Gross), £320; Salary as a Member of Parliament, £400; Rents from Freehold House Property (Gross), £420; Mr. Rivoire owns the lease of the house he occupies, which is assessed under Sch. A. at £450. He has a mortgage of £5000 at 5% on the house, and pays an annual ground rent of £40. He pays a life insurance premium of £150 per annum on his own life, and £100 per annum on that of Mrs. Rivoire.

5. Avoca, Ltd. was registered in 1912, with an Authorised Cap. of £200,000 divided into 100,000 5% Cumulative Pref. Shares of £1 each, and 100,000 Ordinary Shares of £1 each. Of this Cap., 30,000 Pref. Shares and 60,000 Ord. Shares were issued and fully called up. On Dec. 31, 1914, the balances below appeared in the books. Prepare Trading and P. & L. A/cs. for the year ended Dec. 31, 1914, and a Balance Sheet as on that date, taking into consideration:—(1) Debenture Int. for the half-year to Dec. 31, 1914, is to be provided for (ignore Income Tax), (2) £1000 is to be added to the Reserve Fund, (3) All interest from Investments is to be added to the Reserve Fund, (4) £200 to be added to the Leaseholds Depreciation Fund. (5) 10% Depreciation is to be written off Plant and Machinery, (6) 20% Depreciation is to be written off the Patents, (7) The Interest on the Company's investments accrued as on Dec. 31, 1914, but not received, amounted to £120, (8) £250 is to be written off the Discount on Debentures Issue A/c., (9) The Reserve for Bad and Doubtful Debts is to be increased to an amount equal to 5% on the Trade Debtors, (10) Rates paid in advance and Insurance unexpired amounted to £40 as on Dec. 31, 1914, (11) The investments, having depreciated in value, are to be written down to the extent of £2000, which amount is to be transferred from the Reserve Fund, (12) **Stock** on Dec. 31, valued at £6410.

Dr. Balances—		**Dr. Balances** continued—	
Leaschold Premises	£84200	Heating and Lighting	£628
Calls in Arrear (Ord. Shares)	500	Manufacturing Expenses	1284
Freehold Premises	98650	Directors' Fees	1250
Sales Returns	129	Rates, Taxes and Insurance	921
Purchases	16856	Carriage Outwards	2460
Sundry Debtors	9580	**Cr. Balances**—	
Stock (31/12/13)	8786	Sundry Creditors	34306
Patents	1500	4% Debentures A/c.	50000
Plant and Machinery	8680	Reserve Fund	30000
Bills Receivable	1290	Leaseholds Depreciation Fund	1500
Discount on Deb. Issue A/c.	1250	Sales	52980
Salaries	3820	Purchases Returns	628
Advertising	2980	P. & L. A/c. (31/12/13)	9650
Carriage Inwards	1196	Transfer Fees	100
Investments	7264	Interest on Investments	420
Cash at Bank and in hand	4920	Bad & Doubtful Debts Res.	420
Manufacturing Wages	10860	5% Cumulative Pref. Shares	30000
Debenture Interest A/c.	1000	Ordinary Shares A/c.	60000

Answer.—*Gross Profit* £20907 ; *Net Profit* £5311 ; *Bal. of P. & L. A/c.* £13961 ; *Total of B/S.* £220007.

6. On Jan. 1, 1914, Excelsa Ltd., offered for subscription 500 4% Debentures of £100 each, repayable in five years at par. The price of issue was 98, payable as to £10 per Debenture on application, and the balance on March 1, 1914. Applications were received for 600 Debentures, and 500 were duly allotted on Jan. 3, 1914. The underwriting and costs of the issue amounted to £500. Give the entries which these transactions would necessitate, and show how the issue would appear in the Balance Sheet of the Company as on Dec. 31, 1914. **7.** Submit specimens of the "Receipts and Expenditure on Capital Account" and "General Balance Sheet" of a Railway Company.

LONDON CHAMBER OF COMMERCE. (*Senior*, 1916.)

1. During the year ended 31st Dec., 1915, the following transactions appeared in the books of Herriotts Ltd. State, in each case, where the item should appear in the published a/cs. of the Co. : (*a*) Land, forming part of the Co.'s Freehold property, was sold for £6800. (*b*) 50000 new Ord. Shares of £1 each were issued at a premium of 5/- per share. (*c*) Underwriting commission amounting to £1250 was paid for placing the new shares. (*d*) 100 Pref. Shares, upon which £50 had been paid, were forfeited.

2. Rayon d'Or, Ltd., has a Cap. consisting of 100,000 Ord. Shares of £1 each, upon which 2/6 per share was paid upon application, and 7/6 on allotment. As Secretary to the Co., the Directors instruct you to take all the necessary steps to call up the balance due upon the shares. State briefly how you would proceed ; submit sketches of any special books or papers you would employ, and give the entries necessary to record the call in the books.

3. State the considerations which would guide you in deciding whether any particular item should be regarded as of a "Capital" or of a "Revenue" nature.

4. When preparing a/cs. for submission to the Surveyor of Tax, for Sch. D purposes, how should you deal with the items :— (*a*) Loss by fire. (*b*) Int. received on deposit a/c. at the Bank. (*c*) Partners' Salaries. (*d*) Premiums received on an issue of new shares.

5. Digby & Co., Ltd., was formed on 1st Jan., 1912, with a Nominal Cap. of £20000, divided into 10000 Ord. Shares of £1 each, and 1000 6% Pref. Shares of £10 each, to acquire the business of Wm. Digby to the credit of whose Cap. A/c. the sum of £8645 was standing when the business was transferred. The purchase price of the business was fixed at £10000, to be discharged by the allotment of 5000 Ord. Shares and 500 Pref. Shares in the Co. These Shares were duly allotted as fully paid. The remaining Shares were offered to the public, and 2500 Ord. and 200 Pref. were applied for and allotted, and, with the exception of 5/- per share on the Ord. Shares, were fully called

and paid up. In addition to the balances represented by the above transactions, the balances below appeared in the books of the Co. on 31st Dec., 1915. Prepare Trading and P. & L. A/cs., also B/S. for the year, after making the adjustments :—(*a*) 10% Depreciation to be written off Plant, Machinery and Fixtures; (*b*) Reserve for Bad Debts 2½% of the Sundry Debtors; (*c*) Reserve proportion of Rates and Insurance paid in advance, viz. :—£17 10s. and £9 respectively; (*d*) Materials, value £15, had been used in the manufacture of new fixtures during the year and the wages paid in connection therewith amounted to £9; (*e*) Balance of Preliminary Exs. A/c. to be written off; (*f*) **Stock,** 31st Dec., 1915, £3963 16s. 4d.

Fuel and Power	£96	14	9	Purchases £7614	15	2
Stock (31/12/14)	2919	16	10	Sales Returns.....	416	16	11
Purchases Returns	314	12	9	Sundry Creditors	2177	13	10
Carriage on Purchases	216	–	4	Pref. Div. (½ yr. to Dec. 31, 1914)	210	–	–
Sundry Debtors	5824	13	4	Manufacturing Expenses	417	13	7
Sales	10695	15	1	P. & L. A/c. (Credit Bal. Dec. 31st, 1914).....	352	4	9
Insurance	46	4	6	Travelling Exs. & Comm.	311	3	7
Salaries	915	10	–	Office Expenses	276	12	2
Discount A/c. (Debit bal.)	92	4	1	Rent, Rates & Taxes ...	317	15	2
Directors' Fees	250	–	–	Lighting and Heating...	42	19	–
Plant, Machy. & Fixtures	3642	12	6	Cash at Bank	1752	15	11
Bills Payable	1012	7	1	Cash in hand	19	2	1
Preliminary Expenses	101	6	–				
Manufacturing Wages	1266	3	2				
Carriage on Sales.....	321	14	5				

Answer.—*Gross Profit* £2146 18 2; *Net Loss* £1111 1 1; *Total of B/S.* £17065 – 11.

6. A. Hartman & Co., whose head office is in London, are retail tobacconists. Branches have just been opened by the firm in Birmingham and Sheffield. You are asked to advise the partners as to the books and returns which are necessary to record the transactions between the Head Office and the Branches. Submit a short report containing your instructions to the firm's book-keeper.

7. The Carine Exploring Syndicate, Ltd., owning concessions covering a large area in South West Africa, floated a subsidiary company—the Ravary Mine, Ltd.—to acquire mining rights over a portion of its territory. The purchase price payable by the subsidiary company was £50000 in fully paid shares. All the expenses of the flotation (£2525) were to be repaid by the Ravary Mine in cash. How would you record these transactions in the books of the Carine Exploring Syndicate, Ltd ?

NATIONAL UNION of TEACHERS. (*Advanced*, 1903.)

PART 1. **1.** State briefly what you mean by the system known as—(*a*) Double Entry Book-keeping. (*b*) Single Entry, and (*c*) What are the chief advantages to be secured by the adoption of Double Entry ? **2.** What is a Joint Stock Co. ? In addition to the usual Financial Books of a Joint Stock Co., what other books are compulsory ? **3.** What is the difference between a B/E. for £1000 payable 3 mos. from the date of acceptance, and an I.O.U. for the same amount ? Give an example of the latter. **4.** On the 1st Jan., 1902, Thos. Urgent, of Manchester,

draws on John Credit, of London, a 3 mos. B/E. for an amount of his overdue a/c. £175, together with one year's Int. at 5%. The Bill is accepted payable at the Bank of England, London. Give an example of the Bill and endorsement. **5.** Thos. Urgent discounted at the Bank of England John Credit's Bill, and he paid a discount of £3 15s. Show how the transactions appear in Thos. Urgent's Cash Book. **6.** State briefly, in cases where a Joint Stock Co. goes into liquidation, what is the position of—(*a*) Ordinary Shareholder, (*b*) Debenture Holder. **7.** At the end of the year a merchant finds his Credit balance as per Bank Pass Book to be £960, whilst his Credit balance as per Office Cash Book is only £800. Show by an example how you propose to adjust this.

PART II. Messrs. Smith & Jackson are partners in a manufacturing concern, sharing profits and losses in proportion to their respective Capitals as shown on 1st Jan., 1901; and receiving 5% int. on Cap. On 31st Dec., 1901, **Stock** was valued at £3600, and the following balances were extracted:—**1.** Depreciate the Plant 10%. **2.** Make provisions for a new reserve of 5% for bad and doubtful debts. **3.** Allow Jackson, the working partner, a salary of £500 in addition to his other interests in the firm. The Fire Insurance Prem. of £50 was paid out of Trade Exs. A/c. on 24th June, 1901, (6 mos. £25). Prepare a T/B., make the necessary closing entries, raise Trading, P. & L. A/cs. and B/S.

Dr. Balances—	
Cash	£95
Bank	780
Wages	2119
Stock	2935
Purchases	15320
Sundry Debtors	19750
Repairs	75
Bills Receivable	1500
Trade Expenses	700
Buildings	9219
Bad Debts	350
Office Expenses	150
Plant	2300
Dr. Balances continued—	
Discounts	£100
Salaries & Wages	250
Rent, Rates & Taxes	175
Smith's Drawing A/c.	500
Jackson's Drawing A/c.	300
Cr. Balances—	
Smith's Cap. (1st Jan., 1901)	10000
Jackson's Cap. do.	5000
Sales	25838
Sundry Creditors	13430
Reserve for Bad Debts	500
Bills Payable	1850

Answer.—*Gross Profit* £9064; *Net* £5321 10 –; *Capital*: *Smith* £13547 13 4; *Jackson* £7223 16 8. *Total of B/S.* £36051 10.

PART III. Thos. Jones having been adjudicated Bankrupt in 1902, the following Balances appear in his Books on the above date:—Cash in hand £20; Overdrawn at Bank £150; Stock-in-Trade (cost £800) estimated at £500; Machinery (cost £500) estimated at £400; Trade Fixtures (cost £300) estimated to produce £120; Book Debts, Good, £500 (estimated to produce £500); Doubtful, £250 (estimated to produce £100); Bad, £250; Unsecured Crs., £2500; Crs., fully secured (£500); estimated value of security, £600; Liabilities on Bills, £400; Creditors for half-year's Rent, £50; Rates and Taxes (12 mos.) £10; Domestic Servant's Wages (3 mos.) £30; Prepare Statement of Affairs for presentation to the first meeting of Creditors.

Answer.—*Deficiency* £1400.

NATIONAL UNION of TEACHERS. (*Advanced*, 1904.)

PART I. **1.** Having been appointed Book-keeper to the Quick Trading Co., where a/cs. have been kept by what is described as Single Entry, you are requested to prepare a P. & L. A/c. and B/S. State clearly the methods you would adopt. **2.** What entries would it be necessary to make in your books under the following circumstances :—(*a*) Hardup, who is your debtor for £500, files his petition. (*b*) Advertisements in the local papers to the effect that a Receiving Order has been made against him. (*c*) You receive an official communication to the effect that he has been adjudicated bankrupt. (*d*) First and final dividend of 7/6 in the £ declared and received by you. (*e*) How would you treat the balance of his a/c. ? **3.** Day, Month and Year arrange to become partners, each having a Cap. on the 1st Jan., 1903, of :—Day, £5000, Month £3500, Year, £2500. The Partnership Agreement makes no provision for Int. on Drawings, but each partner is to be entitled to 5% int. on Cap. and Profits (or losses) are to be borne equally. At the end of 12 months, during which period Year has advanced a further sum of £1000, the gross profits amounted to £3,000, and the Wages, Bad Debts, Rent, &c., £2500. The Partners' Drawings have been as follows :—Day £100, Month £150, Year £180. Make out P. & L. and Cap. A/cs. as on 31st Dec., 1903. **4.** Briefly define the following :—(*a*) Nominal Cap. (*b*) Subscribed Cap. (*c*) Issued Cap. (*d*) Paid-up Cap. (*e*) Ordinary Shares. (*f*) Deferred Shares. (*g*) Preference Shares. (*h*) Founders' Shares. **5.** What do you understand by "Contingent Liabilities" ? How are they treated in the B/S. ? Name the principal items coming under this head. **6.** State briefly the meaning of :—Royalties, Minimum Rent, Short Workings, or Redeemable Dead Rents. The Minimum Rent is £500, and the Royalty Rent for the first year is £600, the second year £450, and the third year £800. Illustrate by Journal entries.

PART II. Prepare final A/cs. of John Combine, Steel Merchant, on 31st Dec., 1903. **Stock** valued at £3500. Bad Debts £400. A Reserve of 5% on Debtors must be maintained. Depreciate Plant 10%. Charge 5% on Capital. Combine introduced an extra £500 Capital on 1st December.

Dr. Balances—	
Stock	£9600
Wages	3200
Railway Charges, &c.	500
Purchases	12000
Interest on Overdraft	20
Bills Receivable	600
Rents, Rates, &c.	200
Plant & Machinery	2000
Travelling Expenses	500
Repairs to Plant (aver. £100)	160
Cash	200
Discount on Sales	500
Returns	100

Dr. Balances continued—	
Sundry Debtors	£3500
Office Expenses	500
Income Tax	50
Drawings as against Profits	500
Cr. Balances—	
J. Combine, Capital	5000
Bills Payable	500
The Consolidated Bank	400
Sales	25000
Reserve for Bad Debts	500
Discount on Purchases	400
Sundry Creditors	2330

Answer.—*Gross Profit* £3600 ; *Net* £1087 18 4 ; *Capital* £5815.

PART III. Arrange Combine's A/c. for presentation to the Income Tax Commissioners. **Answer.**—*Profit assessable* £1425,

NATIONAL UNION of TEACHERS. (*Advanced*, 1905.)

PART I. **1.** What is meant by the Imprest System of Petty Cash ? What method would you adopt in small business concerns with reference to the Totals of Petty Cash ? **2.** What is meant by an Income and Expenditure A/c. ? Give an example of the same, not more than six transactions ; also an example of a Receipts and Payments A/c. What is a Revenue A/c. ? **3.** What is meant by :—(*a*) Floating Capital ; (*b*) Cumulative Preference Shares ; (*c*) Fixed Capital ; (*d*) Registered Debentures ; (*e*) Debentures to Bearer ? **4.** On 1st Jan., 1902, your Reserve A/c. has a credit bal. of £500, and on 31st Dec., 1902, £700 of the Profit for the year is transferred to the same A/c. Draw up a Reserve A/c. incorporating these items, and show how you would deal with the bal. in the B/S. at the end of the year. If the bal. of the Reserve Fund were invested outside the business altogether, how would you show that amount in the B/S. Give an example B/S. **5.** At the time of balancing (31st Dec., 1903) your Banking A/c. has been written up and balanced, showing a Credit Balance of £500, but cheques passed for payment before that date, amounting to £250, have not been cleared. On 31st Dec., 1903, you had also received a cheque for £20, from a customer, in settlement of his a/c., and although you had dealt with that amount through your office Cash Book, you had omitted to pay the same into your Banking A/c. Draw up a Reconciliation A/c., showing adjustments between your C.B. and Bank Pass Book.

PART III. Prepare Trading, P. & L. A/cs., and B/S. of John Goodwill & Co., on 30th June, 1903, dividing the profits or losses equally. **Stock** reckoned at selling price £3000, the cost being 20% less than this amount. Stock of Packing Materials £20, Reserve 5% for Doubtful Debts and 10% for Discount on Debtors. Plant and Machy. was bought 1st July, 1900, for £3000 ; its life is calculated to be 20 years, when it will be entirely replaced ; allow for depreciation at such a rate as will reduce the book-value to nil by 1920. On 1st June, 1903, one of the firm's horses, valued at £50, died. Create a Reserve A/c. showing the old Reserve standing on the books, the bad debts written off for the period just ended, also new Reserve for the current period.

Dr. Balances—		**Dr. Balances** continued—	
Plant & Machinery	£3000	Rent	£200
Sundry Debtors	2000	Wages	5000
Cash	20	Salaries	1000
Horses & Carts, 1st Jan.	500	Travelling Expenses	150
Purchases	14000		
Stock, 1st Jan., 1903	2000	**Cr. Balances**—	
Packing Materials	150	John Goodwill (Capital)	1730
Miscellaneous Expenses	400	Tom Nojan (Capital)	1730
Horsekeep	100	Sundry Creditors	950
Carriage	200	Sales	25000
Discounts for Cash	240	Bank	500
Bad Debts	70	Doubtful Debts Reserve	90
Furniture	1000	Auditors' Fees	30

Ans.—*Gross* £6070 ; *Net* £3210 ; *Cap. J.G.* £3335 ; *T.N.* £3335. *Total of B/S.* £8150.

NATIONAL UNION of TEACHERS. (*Advanced*, 1906.)

PART I. **1.** The books of a retail tradesman have been kept on what is commonly called the Single Entry System. State what steps you would take to convert the method of book-keeping to the Double Entry System. **2.** What do you understand by the term "Goodwill" as applied to book-keeping? How would you advise a trader to deal with the asset in his books? **3.** Give the meaning of not more than *four* of the following mercantile terms, namely:—(*a*) Charter Party, (*b*) Bill of Entry, (*c*) "Average Clause" as applied to a Fire Insurance Contract, (*d*) Referee in case of need, (*e*) Sinking Fund, (*f*) Legal Tender. **4.** You are appointed Secretary to a business recently registered as a Limited Liability Co., but the necessary A/cs. have not been introduced. Give the names and short particulars of the statutory books which you would be required to keep. **5.** Prepare a Statement for the Income Tax Commissioners from the following:—Gross Profits for the year are £6000, Rent £600, Salaries and Wages £800, Rates £50, Improvement of Premises £100, amount written off for Bad Debts £300, Income Tax £150. Trade Exs. £50. **6.** The assets of a trader in the Grocery business on 31st Dec., 1902, as shown by his audited a/cs., were £6000, and his liabilities were £4000; he files his Petition in Bankruptcy on 30th September following, and he then estimated his deficiency to be £3000. You are requested to prepare *pro formâ* Deficiency A/c. showing this deficiency.

PART II. Prepare Trading, P. & L. A/cs. and B/S. of Messrs. Arthur Wilson and John Bookman, Cigarette Merchants, on 31st Dec., 1904, dividing profits equally. **Stock** £12896. Allow Int. on Partners' Cap. at 5% from 1st July, 1904. Write off half of Macmillan's Dishonoured Bill. Reserve 5% on Sundry Debtors.

Dr. Balances—	
Wilson's Drawings, including Interest	£640
Bookman's do. do.	410
Bills Receivable	950
Plant & Machinery	2880
Sundry Drs. (including John Macmillan, for dishonoured bill, £100)	6200
Wages, Manufacturing	4097
Returns	278
Purchases (including Government Duty)	25659
Rent, Rates & Taxes	562
Stock	8968
Salaries & Wages	1100
Travelling Expenses	130
Expenses of Licenses	58
Dr. Balances continued—	
Insurances, &c. (including Premium of £30 per ann., paid to end of March, 1905)	£40
Cash	53
Bank	1897
Repairs & Renewals	337
Interest & Discount	587
Bad Debts	362
Fixtures & Fittings	897
Cr. Balances—	
A. Wilson, Capital A/c.	7250
J. Bookman, Capital A/c.	4685
Loan A/c.	2000
Sales	35643
Commission	564
Sundry Creditors	5963

Answer.—*Gross Profit* £9537; *Net* £6276 12 6; *Capital A.W.* £9929 11 3; *J.B.* £7530 8 9. *Total B/S.* £25423.

NATIONAL UNION of TEACHERS. (*Advanced*, 1907.)

PART I. **1.** (*a*) A Bill for £105 is drawn at six months from the 1st Oct., 1906, by Smith on Rhodes and accepted by the latter payable at Parr's Bank. What Stamp Duty does this Bill require, and when is it due for payment ? (*b*) On the 11th Dec., 1906, Smith discounts the Bill with Hirst, and receives £100 cash. (*c*) The Bill is dishonoured on maturity, but is taken up by Smith on the 7th April, 1907. Show by means of the Journal the entries to record the transactions (*a*), (*b*), and (*c*)—in Smith's books.

2. Give the meanings of the following terms, namely :—Lien, Accommodation Bill, Gilt-edged Securities, Statute of Limitations, Manifest, Secret Reserves. **3.** State the chief difference between Books kept in an ordinary Partnership and those kept in the case of Limited Liability Companies. **4.** What is the difference between a T.B. and a B/S. ? The Dr. Balance of a Personal A/c. amounting to £250 has been carried to the Revenue A/c. in error. How will this affect (*a*) the T.B. and (*b*) the B/S. ? **5.** Explain what is meant by the following :—(*a*) Reconciliation Statement. (*b*) Lease Redemption A/c. (*c*) Deferred Shares. (*d*) Rebate A/c. **6.** What is the difference between :—(*a*) Consignment. (*b*) Joint Adventure ? How would you deal with the Consignments not completed at the date of balancing ?

PART II. Prepare Trading, P. & L. A/cs. and B/S. of Brownson & Co., Ltd., whose nominal capital consists of 8000 shares of £1 each, and 15s. per share has been called up, all of which have been issued, but 80 shares were forfeited on the 1st Feb., 1905. On the 31st March, 1906, the Ledger Balances were as below. **Stock** £2456; Wages (unpaid), £50; Interest on Bank Overdraft £36. Bring up the Bad Debts Reserve A/c. to 5% on Sundry Debtors. Also provide £60 for Depreciation of Plant and Machinery. On the 1st April, 1904, it was decided to spread the Preliminary Exs. over a period of six years; the amount originally was £600.

Dr. Balances—		**Dr. Balances** continued—	
Bad Debts	£220	Purchases	£1525
Cash	95	Carriage	250
Stock (1st April, 1905)	2056	Travelling Expenses	607
Horses, Carts, &c.	478	Rates, &c., for the half-year ended 30th Sept., 1905	50
Preliminary Expenses	500	**Cr. Balances**—	
Discounts	126	Capital paid-up	5940
Bills Receivable	1488	Bills Payable	1000
Plant & Machinery	1286	Sundry Creditors	2079
Interim Dividend	750	Bad Debts Reserve	120
Premises A/c.	2000	Reserve A/c.	500
Salaries	1200	Bank	900
Sundry Debtors	3172	Forfeited Shares A/c.	10
Directors' Fees	200	P.&L.A/c.,AppropriationA/c.	100
Furniture & Fittings	412	Sales	11568
Wages	5802		

Answer.—*Gross* £4341; *Net* £1653 8; *Total B/S.* £11568 8s.

PART III. From the following particulars make out the Statement of Affairs of Thos. F. Sellers for submission to his Creditors, assuming that the Stock, Doubtful Debts, and fixtures

will realise 50% of the value mentioned. Good Book Debts £3872; Doubtful £1500; Bad £2500; Unsecured Crs. £7278; Bills Payable £1200; Stock £1200; Fixtures, &c., £300; Partly Secured Crs. £872; Estimated Value of Securities £550; Cash at Bank £150; Preferential Crs. £267; Crs. Fully Secured 'Estimated Value of Securities £2500) £2200.

NATIONAL UNION of TEACHERS. (*Advanced*, 1908.)

PART I. **1.** Explain briefly and comment upon some system of Departmental A/cs. with which you are familiar. **2.** Give definitions of, and differentiate, the following well-known terms: (*a*) Reserve; (*b*) Reserve Fund; and (*c*) Sinking Fund. In the case of a Limited Company, what would guide you in deciding as to whether an amount was a Reserve or a Reserve Fund? **3.** What do you understand by the following terms:—(*a*) Floating Assets; (*b*) Fixed Assets; (*c*) Preliminary Exs., and how dealt with; (*d*) Self-Balancing Ledgers; (*e*) Watering of Stock; (*f*) Allonge? **4.** (*a*) What undertakings, in general, keep their A/cs. upon the Double Account System? (*b*) What is the principal, if not the sole, reason for employing this form of a/cs.? **5.** Show the Ledger entries to describe the following:—(*a*) 1905. Jan. 1. Bad Debts Reserve of £860 standing on the books. (*b*) 1905. Dec. 31. Total of Bad Debts A/c. £1000. (*c*) 1905. Dec. 31. Adjust the Reserve A/c. so that it may show a Reserve of 7½% on the Book Debts, which are £15000. (*d*) Assuming that business has been continued for another twelve months, *i.e.*, up to 31st Dec., 1906, the Bad Debts are then £1100. Adjust the reserve, so that it may show a reserve of 7½%, on the amount of Book Debts, which are then found to be £12674. **6.** Show by Ledger entries *only* what the total amount of an Investment A/c. would be at the end of six years' Compound Interest (yearly) 2½%—neglect fractions of a penny. The amount invested *yearly* is £250. **7.** There is a distinct difference when dealing with depreciation in Double A/cs., as compared with the Single A/c. System. How is depreciation dealt with in the former?

PART II. **Water A/cs.** (Municipal). **8.** How would you deal with the following transactions in the books relating to a Municipal Water Works? Your answers may take the form of Journal entries. (1) The borrowing of £10000 from the Atlas Assurance Co., at 4% int., repayable by equal annual instalments of principal in 20 years with int., half-yearly on the bal. outstanding. (2) The payment of the first year's instalment of principal. (3) The payment of six mos.' int. (less income tax at 1/- in the £) on the bal. outstanding after payment of the first year's instalment of principal. Income tax paid to Commissioners in the usual way. (4) The payment to Stone's & Co., Contractors, of a sum of £500 (less 20% retention money) in respect of a contract for laying water mains. (5) The purchase of sundry materials worth £76 9 6 from S. Johnson & Co. (6) Payment to S. Johnson & Co. of the above amount. (7) The using of £15 worth of the above materials for repairs of mains.

Gas Accounts. **9.** Open and post up Ledger A/cs. recording the following :—(*a*) The charging of sundry customers with £320 10 for gas consumed. (*b*) The receipt of same in cash from sundry persons, less 5% dis. (*c*) The sale of 20 tons 5 cwts. of coke at 6/8 per ton to John Smith on credit. (*d*) The receipt of £5 on a/c. of above from John Smith. (*e*) The purchase of gas fittings worth £125 from "A.B." Company on "sale or return." (*f*) The return of £20 worth of fittings to the "A.B." Company.

10. From the following balances (shown by the books of the Universal Jewellery Co., Ltd., on the 31st Dec., 1905), prepare Trading, P. & L. A/cs. and B/S. Value of **Stock** 31st Dec., 1905, £120550. Adjustments necessary before closing the a/cs. : (*a*) Depreciation to be written off Plant and Machinery at the rate of 7½% per ann., off Patents at 15% per ann., and Premises 5%. (*b*) Provision for Bad and Doubtful Debts 5%. By reason of losses application was made for leave to reduce the capital by £50000. Show by Journal entry how this would be effected.

Dr. Balances—	
Purchases	£569842
Stock, 1st Jan., 1905	65892
Patents, Unexpired	1560
Freehold Premises, 1st Jan., 1905	5026
Wages (remunerative)	25090
Do. (unremunerative)	2060
Unpaid Calls A/c.	200
Cash (Office)	125
Bad Debts	476
Repairs to Building	56
Interest on Overdraft	260
Plant & Machinery	10140
Salaries & Directors' Fees	3400
Bills Receivable	6060
Dr. Balances continued—	
Rates & Taxes	£1578
Debtors	5175
Sundry Office Expenses	275
P. & L. A/c. (loss from previous year)	7050
Cr. Balances—	
Bank Overdraft	8060
Bills Payable	30900
Share Capital A/c.	150000
Unclaimed Dividends	106
Bad Debts Reserve	150
Sundry Creditors	9086
Outward Returns	1500
Sales	504203
Rents from Property	260

Answer.—*Gross Loss* £34571 ; *Net Loss* £43770 11 ; *Total B/S.* £197952.

PART III. Prepare the *Income* and *Expenditure A/c.* of the *Carlton Club* for the year ended 31st Dec., 1907. Rent, Rates and Taxes (not paid) £50 ; Fuel and Gas £40 ; Caretaker's Wages £68 ; Printing and Stationery £30 ; Repairs £12 ; Salaries £100. Subscriptions due or accrued £200 ; Donations £50 ; Billiard Room £60 ; Refreshment Room £100 ; Sundry hiring £20.

Answer.—*Balance, being Net Profit,* £130.

NATIONAL UNION of TEACHERS. (*Advanced,* 1909.)

PART I. **1.** On account of heavy losses the Directors of a Limited Co., obtain power to reduce the Cap. from 100000 shares of £1 each, 10/- per share paid up, to 100000 shares of 5/- each fully paid. State what entries in the financial books are necessary to give effect to this. **2.** Explain :—Assignee, Bond to Bearer, Cheap Money, Corpus, Drawback, Lloyd's Bond. **3.** The Golden Hill Co., Ltd., has a balance of £18000 to the credit of P. & L. A/c., on 31st Dec., 1908. On 1st Feb., 1909, it was resolved to appropriate the amount as follows :—£3600 to Reserve Fund. Dividend of 10% (less Income Tax, 1s. in the £) on

10000 Pref. Shares of £5 each fully paid. Dividend of 15% (free of Income Tax) on 10000 Ord. Shares of £5 each, fully paid, and carry the balance forward. Make out (1) P. & L. Appropriation A/c., (2) Dividend A/c., (3) Income Tax A/c., and (4) Reserve Fund A/c. **4.** On 1st Jan., 1909, the Directors of a Company pass a resolution forfeiting 100 Ord. Shares of £1 each, upon which a deposit of 2s. 6d. per share has been paid, but upon which 7s. 6d. due on allotment and a further call of 5s. per share remain unpaid. On the same day they re-issue the shares to James Brown, credited with 15s. per share paid up for £70. Show in Journal the entries in the financial books of the Co.

PART II. Make out from the following T.B. as on 31st Dec., 1908, of the Trent Valley Water Co., (1) Capital A/c., (2) Revenue A/c., (3) Net Revenue A/c., (4) Reserve Fund A/c., (5) General B/S. The Reserve Fund is to be raised to £500, and National War Loan Stock increased to a like amount at par, to be known in future as Reserve Fund Investments.

Dr. Balances—	
Expended on P'chase of Land	£3000
Do. Construction of Works	102330
Do. Mains and Service Pipes	11920
Do. Meters	1050
Do. Parliamentary Exs.	2000
Sundry Debtors	48
Debtors for Water Rates due	1242
Stores on hand	340
Investments—National War Stock, at par	250
Cash in hand	60
Cash at Bank	3353
Salaries	600
Printing	50
Incidental Expenses	37
Maintenance of Pumping Stations	1705
Maintenance of Reservoirs	500
Do. Filter Beds	150
Dr. Balances continued—	
Repairs to Mains	£220
General Repairs	155
Directors' Fees	400
Auditors' Fees	50
Rates and Taxes	2500
Int. on Deb. Stock to date	1000
Div. on Pref. Shares to date	1200
Interim Div.Ordy.Shs.,1/8/08	3000
Cr. Balances—	
60000 Ord Shares £1 each	60000
20000 Pref. Shares £1 each 6%	20000
Debenture Stock, 5%	20000
Premiums on Shares	20000
Sundry Creditors	841
Reserve Fund	258
Water Rents	14667
General Rents	350
Transfer Fees	24
Unclaimed Dividends	20
Bal. Net Revenue A/c., 1/1/08	1000

Answer.—*Cap. Bal.*, £360 ; *Revenue Bal.*, £7674 ; *Net Revenue Bal.*, £4232 ; *Total B/S.*, £5593.

PART III. Prepare Statement of Affairs and Deficiency A/c. as on 31st Dec., 1908, of Black & White. Cash in hand, £200. Book Debts :—Good, £2000 ; Doubtful, £300 (estimated to produce £100) ; Bad, £500. Stock-in-trade valued at £1900. Freehold Property cost £3000, estimated to produce £2500 ; this property is assigned to creditors for £2300. Shares held £150, these are given as security for a debt of £400. Creditors :—Unsecured on open A/c., £5000 ; on Bills payable, £1000. Partly secured by shares, £400. Fully secured on Freehold Property, £2300. Preferable claims for Taxes, Wages and Salaries, £100. Black's drawings, £2000 ; White's drawings, £2850. The business commenced on 1st Jan., 1906. Black put into it £2500, and White £2900. The first year showed a profit of £3000, but the next two years showed a loss of £4300. No provision was made for Bad Debts. **Answer.**—*Deficiency*, £1950.

NATIONAL UNION of TEACHERS. (*Advanced*, 1910.)

1. The following balances composed the B/S. of John Brown, Ltd. :—Cash £6000, B/R. £1200, Sundry Debtors £2500, Stock £5000, Capital £10000, B/P. £800, Sundry Creditors £1400, Divisible Profit £2500. It was resolved to start a Reserve Fund with such an amount of the Balance of Profit as would, when invested, purchase £1500 Consols at 85 (charges neglected). Give the Journal entries to effect this ; set out the Ledger A/cs. for Investments, Reserve Fund, P. & L. ; also draw up a new B/S. showing these changes. **2.** The Timbuctoo Railway Co. issued its prospectus on 1st Jan., 1910, inviting applications for 200,000 shares of £5 each, payable £1 per share on application, £1 on allotment on 10th Jan., and £3 on 1st March. In addition there was an issue of £1,000,000 3% Redeemable Debentures, payable as to 5% upon application, and 95% on 31st Jan. The whole of the issues were applied for and the cash duly received, with the exception that, on 25th March, the directors resolved that the 10 shares upon which application and allotment money had been paid should be forfeited for non-payment of the call of £3 per share on 1st March. Give the Journal entries for the above, omitting cash. **3.** A colliery is worked under a lease granted by the Lord of the Manor at a royalty of 6d. per ton, but with a minimum annual rent of £1200, with power to recoup short workings. During the first year 40000 tons are raised ; second year, 44000 tons ; third year, 52000 tons ; fourth year, 50000 tons. Make out Ledger A/cs. for Royalties, Lord of the Manor, and Overpaid Royalties ; and say how you would show the balance of Overpaid Royalties when making up the a/cs.

4. From the following figures relating to the Devonshire Life Assurance Co., compile its Revenue A/c. and B/S. for the year ending 31st Dec. 1910, in the prescribed form. Shareholders' Capital £250,000 in 2500 shares of £100 each, with £10 paid up on each.

Shareholders' undivided Profits £33786 ; Life Assurance Fund on 1st Jan., 1909, including paid-up Cap. and undivided Profits	£1825412
Claims by death £93067 ; Claims matured by survivance	47466
Surrenders £8636 ; Commission £8224 ; Premiums ...	134872
Interest, Dividends, and Rents received	72563
Management Exs. £25860 ; Dividends to Shareholders	3265
Fines and Fees £201 ; Income Tax.....	3525
Written off Securities upon Re-valuation	17089
Mortgages in U.K. £172332 : Loans on Co.'s Policies..	90152
Freehold Ground Rents £1218310 ; Claims admitted but not paid £5846 ; Claims announced—not admitted	22846
Colonial Government Securities £147259 ; Rly. Shares	74145
House Property £105292 ; Agents' Bals. Outstanding	19976
Outstanding Interest and Rents receivable	16968
Outstanding Prems.—Head Office £1465 ; Sundry Crs.	142
Cash in hand and at Bank £5994 ; Furniture & Fittings	2857

Answer.—*Total Revenue A/c.* £1974262 ; *Total of B/S* £1854750.

5. The following are the balances of the Great Southern Railway for the half-year ending 31st Dec., 1909. Make out in the

prescribed form :—(1) Capital A/c. ; (2) Revenue A/c. ; (3) Net Revenue A/c. ; (4) General B/S.

Ordinary Stock £5192500 ; 4% Preference Stock	£2702711
Debenture Stock £1526258 ; Premiums received	55653
Expended upon lines open for traffic to 30th June, 1909	9181704
Expended on the above during current half-year	44304
Expended upon Working Stock to 20th June, 1909 ...	616961
Expended upon Working Stock during current half-yr.	654
Expended upon Maintenance of Way, Stations, &c. ..	38373
Expended upon Locomotive Power	93008
Expended upon Carriage and Wagon Repairs	14858
Expended upon : Traffic Exs. £61098 ; General Charges	13342
Expended upon Dock and Harbour Exs. and Repairs..	9371
Expended upon : Shipping Exs. £18199 ; Law charges	2697
Expended upon : Parliamtry. Exs. £3834 ; Compensation	354
Expended upon : Mileage & Demurrage £447 ; Rates and Taxes	31060
Expended upon Government Duty.....	395
Receipts from Parcels, Carriages and Horses	9578
Receipts from : Passengers £106401 ; Mails	2641
Receipts from : Merchandise £43508 ; Minerals £280448 ; Shipping	19355
Receipts from : Docks and Harbours £39501 ; Rents..	3977
Interest on Debenture Stock	22894
Rents payable on Leased Lines, Guarantees, &c.....	31876
Balance to Credit of Net Revenue A/c., 30/6/09	62666
General Interest A/c.—Credit Balance	290
Cash in hand and at Bank	45528
General Stores—Stock on hand	39363
Traffic A/cs. due to the Company	73658
Amounts due from other Companies	12356
Amounts due from Post Office £1446 ; Sundry Debtors	25103
Unpaid Dividends and Interest	2612
Debts due to other Companies	59730
Amount due to the Clearing House	12417
Sundry Creditors and Suspense A/cs.	198806
Fire Insurance Fund £23945 ; Reserve Fund	22419
Employés' Savings Bank Deposits	17467

Answer.—*Capital A/c. Balance* £366501 ; *Revenue A/c. Balance* £218373 ; *Net Revenue A/c. Balance* £226559 ; *Total B/S.* £563955.

NATIONAL UNION of TEACHERS. (*Advanced,* 1911.)

1. Give a ruling suitable for a combined Register of Members and Share Ledger. **2.** Illustrate the sectional system of self-balancing Ledgers by posting direct from the exercise in the Elementary stage of this examination all the items necessary to form a complete Sales Ledger, render it self-balancing, and take out a Trial Balance. **3.** Black & White are equal partners, and their B/S. stands as follows :—Assets : Cash, £400 ; Debtors, £2000 ; Stock, £1500 ; Machinery, £2000. Liabilities : Creditors, £1800 ; Black's Cap., £2900 ; White's Cap., £1200. They decide to dissolve partnership, and the assets realise the following

amounts :—Debtors, £1880 ; Stock, £1200 ; Machinery, £1800. They receive £100 as Discounts from Creditors, and the expenses of Realisation are £230. Prepare a/cs. showing result of winding up.

4. The figures given below relate to the Cornwall Colliery Co. for the year ending 31st Dec., 1910. Prepare Capital A/c. and General B/S. on the Double Account System, and then exhibit the same figures in a B/S. on the Single Account System. Nominal Cap. £250000.

110000 Ordy. Shares of £1 each fully paid	£110000	Office Buildings	£3000
60000 6% Pref. Shares of £1 each fully paid	60000	Workmen's Cottages	9000
Debentures 5%	30000	Depreciation Fund	20000
Bills Payable	6000	Reserve Fund	15000
Sundry Creditors	9000	Balance to Credit of P. & L. A/c.	25000
Lands Acquired	8500	Stock on hand	12000
Shaft Sinking, &c.	111000	Investments	17000
Plant & Machinery	35000	Sundry Debtors	35000
Wagons	13500	Cash in hand and at Bank	30000
		Short Workings A/c.	1000

The above figures include an issue of 10000 Pref. Shares during the year 1910 ; and the following amounts were also spent during the same period :—Shaft Sinking, £6000 ; Machinery, £5000 ; Wagons, £3000 ; Workmen's Cottages, £1000.

5. From the following make out Trading A/c., P. & L. A/c. and B/S. for the Motor Manufacturing Co., Ltd., for the year ending 31st Dec., 1910. Nominal Cap. 80000 Shares of £1 each. Write off the whole of Preliminary Expenses and depreciate Plant and Machinery, Office Furniture, Patterns & Patents at a uniform rate of 7½% per ann. Add £2000 to the Sinking Fund for redemption of Debentures, and leave the reserve for Bad and Doubtful Debts at 5% on Sundry Debtors. Stock at the above date, £10087.

Dr. Balances—		**Dr. Balances** continued—	
Calls in arrear	£1000	Directors' Fees	£525
Freehold Premises	18000	Royalties paid	450
Plant & Machinery	20000	Bad Debts	150
Interim Dividend paid	2000	Debenture Interest	1000
Stock, 31st Dec., 1909	18750		
Office Furniture	625	**Cr. Balances**—	
Patterns	6250	Subscribed Capital 60000 Shares of £1 each fully paid	60000
Patents	3750	Debentures, 5 per cent.	20000
Goodwill	12000	Sundry Creditors	16800
Sundry Debtors	37500	Balance to Cr. of P. & L., 1st Jan., 1910	890
Cash in hand	150	Bills Payable	15500
Cash at Bank—Current A/c.	3000	Sales	122000
Cash at Bank on Deposit	12000	Discounts received	1780
Purchases	62100	Interest on Bank Deposit	300
Preliminary Expenses	400	Reserve for Bad & Doubtful Debts	2250
Sinking Fund Investment	8000	Sinking Fund for Redemption of Debentures	8000
Manufacturing Wages	30000	This is represented by Investments, and there is one year's int. at 3½% per ann. due, but unpaid, at the date of making up these accounts.	
Repairs & Renewals	1300		
Coal	2225		
Gas & Water	175		
Rates, Taxes & Insurance	1250		
Office Salaries	1000		
Travelling Expenses	1325		
General Expenses	475		
Discounts allowed	2120		

Answer.—*Gross Profit*, £21237 2s. 6d. ; *Bal. for distribution*, £5890 ; *Total of B/S.* £127470 2s. 6d.

NATIONAL UNION of TEACHERS. (*Advanced*, 1912.)

1. Give the meanings of :—Donatio mortis causâ ; Table A ; post obit bond ; restrictive endorsement ; limited partner ; capitalised profits.

2. From the following figures taken from the books of the Camberwell Banking Co., Ltd., you are requested to draft as at 31st Dec., 1911, (*a*) a T.B., (*b*) a B/S., (*c*) a P. & L. A/c. ; and then append, as Auditor, your certificate for publication and presentation to the Shareholders. Current and Deposit A/cs., £7,731,450 ; Acceptances on behalf of Customers, £1,200,000 ; Capital subscribed 50,000 shares of £40 each, £25 per share paid, £1,250,000 ; Reserve Fund (invested in Consols) £600,000 ; P. & L. A/c. bal. to Cr. 1st Jan., 1911, £15,300 ; Int. accrued and paid £25,500 ; Current Exs., Salaries, Rent, &c., £71,250 ; amt. added to Staff Retirement Fund £3000 ; Premises A/c., amt. written off £22,500 ; Gross Profit for year, after providing for Bad and Doubtful Debts £244,500 ; Cash in hand and at Bank of England £1,584,750 ; Money at Call and Short Notice £274,250 ; Consols (Reserve Fund) £600,000 ; Consols and Securities guaranteed by British Government £825,000 ; Colonial & Railway Stocks £637,500 ; English Corporation Stocks, £235,500 ; Bills discounted £379,500 ; Loans and Advances £4,665,000 ; Bank Premises, Furniture, &c., £337,500 ; Freehold and Leasehold Properties £180,000. **Answer.**—*Total of T.B.* £11041250 ; *Profit* £122250 ; *Total of B/S.* £10919000.

3. Black & White have been in business together for three years ending 31st Dec., 1910, at which date they agree to dissolve partnership. Black takes over the business, and agrees to pay White £1800 for his share of the Goodwill. Black has drawn out £500 each year, and White £650 each year. Black's Cap. at the start was £3000 and White's £4000. The profits of each year were £1000, £1200, and £1350 respectively. There was no deed of partnership and no arrangement as to int. on Cap. Draft Cap. A/cs. (in White's show the amt. he will receive on going out), P. & L. A/c. in Black & White's books, and Goodwill A/c. in Black's books.

4. John Brown's B/S. showed the following Assets and Liabilities :—Freehold Premises £75,000, Stock £50,000 ; Sundry Debtors £35,000 ; Patent Rights £10,000 ; Cash at Bank £3000 ; Sundry Crs. £22,000 ; B/P. £3000. The Universal Machinery Co. was formed to purchase the business for the sum of £170,000, payable as to £50,000 in Ordy. Shares, £50,000 in Pref. Shares, £50,000 in 4% Debentures, and the balance in cash, the Co. agreeing to take over the Liabilities and Assets of J. Brown, with the exception of the Bank balance. The Registered Cap. of the Co. was £200,000 divided into 100,000 Ord. Shares of £1 each, and 100,000 Pref. Shares of £1 each. The balance of these Shares were issued for subscription by the public, payable 5s. per share upon application, 5s. per share on allotment, and 10s. per share one month after allotment. The Ord. Shares were over-subscribed by 2,000 Shares, the Pref. Shares were fully subscribed, and, including the Vendor's, both classes and the Debentures were duly allotted on 1st Feb., 1910. By 31st May all Cash had been received, except the amounts due on

allotment and Call A/cs. with respect to 100 Ordy. Shares and 80 Pref. Shares. The Directors had paid the Vendor the Cash due to him; also £2500 on account of Preliminary Exs., and declared forfeited the shares upon which allotment and call money were in arrear. Give the Journal and Cash Book entries which should appear for the above transactions and the Ledger A/c. for Forfeited Shares.

5. John Jenkins died on 1st March, 1910, leaving the following estate :—Cash in the house £50; Cash on deposit at Bank £2500; Cash on Current A/c. £275; Household Furniture £1000; Mortgage at 5% of Freehold Premises to secure £2400, 6 mos. Int. being due on 1st May, 1910; £3000 Russian 4% Consolidated Railroad Bonds valued at 96. A quarter's Int. is due on 1st Apr., 1910, and another quarter on 1st July, 1910. Debts due to the Testator £900. Life Policies and Bonuses £3000. Sundry Creditors £95. The son was to have an immediate Legacy of £1000 (Duty 1%), which was promptly paid, the residue being left to the widow absolutely. Funeral Expenses amounted to £70, Testamentary Expenses to £550, and Estate Duty may be taken at £645. By 31st July, the Life Assurance money had been received, also all Int. due on Investments, and £820 from Debtors, the balance being irrecoverable. Write up the books as at that date, taking no account of Income Tax or Int. on Bank Deposit. It will be sufficient to make out (*a*) Estate A/c., (*b*) Cash A/c., (*c*) Mortgage A/c., (*d*) Russian Bonds A/c., (*e*) Income A/c., and (*f*) Balance Sheet.

NATIONAL UNION of TEACHERS. (*Advanced*, 1913.)

1. How would you verify, as Auditor, the following assets :—(*a*) $\frac{4}{64}$ths S.S. Timbuctoo; (*b*) Freehold Property; (*c*) Consols; (*d*) 10 hhds. brandy at the docks; (*e*) Bills Receivable; (*f*) Patent Rights. **2.** P, Q and R are equal partners who decide to dissolve partnership. After realisation of their estate, affairs stood thus :—Liabilities :—Capital: P, £3000; Q, £2000. Assets :—Cash, £3000; R. Overdraft, £500; Deficiency £1500. R. being insolvent and unable to contribute anything, make the final adjustment between P and Q.

3. X, Y, Z & Co. filed their petition in bankruptcy on 31st Dec., 1912. Having obtained the following information from their books, prepare in the usual form a Statement of Affairs and a Deficiency A/c. Cash in hand £33; Cash at Bank £275; Stock-in-Trade cost £1430, estimated to realise £1045; Customer's A/cs.—Good £4400; Doubtful £715, estimated to realise £110; Bad £1320; Machinery, &c. cost £3300, will probably fetch £1100; Freehold Property cost £13200, valued at £9900; this property is mortgaged for £7700; Investments at cost, £1650; market value, £1100; these are held as part security by creditors for £1430. Contingent liabilities on bills discounted £7000, of which £1650 are expected to rank. Unsecured Creditors :—Trade £8800; on Loan £2200; Claims for Rates £66; for Wages £55; and for Rent £110. The partners commenced business on 1st Jan., 1910, with a capital of £6000 in cash. The profits have been, 1st year £5300, 2nd £3000, 3rd £3212. The partner's drawings were, 1st year £2200, 2nd £5500, 3rd £3850.

Answer.—*Deficiency* £4048. *Total of Statement*, £12980.

4. From the following figures make out the Revenue A/c. and B/S. of the Commonweal Life Assurance Co. for the year ended 31st Dec., 1912 :—Funds at beginning of year £5,744,148, this amt. includes Shareholders' paid-up Cap. £87,500, and Investment Res. Fund £40,000 ; Premiums (less Re-assurances) £355,674 ; Consideration for Annuities Granted £11,338 ; Interest & Dividends £223,535 ; Fines for Revivals of Policies £358 ; Claims announced but not paid £76,135 ; Annuities due but not applied for £427 ; Bank Loan £50,000 ; Premiums paid in advance £575 ; Claims by death £337,955 ; Claims by survivance £32,226 ; Surrenders £37,303 ; Annuities £38,688 ; Commission £11,417 ; Expenses of Management £43,770 ; Interest and Dividends to Shareholders £9878 ; Bonuses in reduction of Premiums £11,156 ; Income Tax £8,594 ; Mortgages in United Kingdom £902,956 ; Mortgages out of United Kingdom £394,360 ; Loans on Company's Policies £415,269 ; Colonial Government Securities £569,517 ; Foreign Government Securities £172,760 ; Colonial Municipal Securities £850,320 ; Railway Shares & Debentures £2,042,477 ; Loans on security of Public Rates £425,360 ; Outstanding Premiums £77,651 ; Int. accrued but not yet payable £69,613 ; Cash in hand and on Current A/c. £10,920.

Answer.—*Total Revenue A/c.* £6207553 ; *Total B/S.* £5931203.

5. The following balances relate to the Lunar Electric Supply Co., Ltd., for the year ended 31st Dec., 1912. Make out (*a*) Capital A/c., (*b*) Revenue A/c., (*c*) Net Revenue A/c., (*d*) Depreciation Fund A/c., (*e*) Sinking Fund A/c., and (*f*) B/S. as on that date. Of the balance of profit, appropriate £2000 to Depreciation Fund, and £3000 to Sinking Fund, before ascertaining the amount available for shareholders' dividend.

20,000 Ordy. Shares, £5 each, fully paid	£100000	Interest on Bank Loan	£250
Debenture Stock	320000	Interest on Sinking Fund Investments	150
Lands & Charges incidental to acquisition	136092	Receipts for Sale of Current ..	45700
Buildings & Works	113418	Meter & other Rents Receivable	1705
Machinery, Plant, &c.	143175	Transfer Fees	5
Mains & Cost of Laying	39817	Discounts on Purchases	70
Tools and Loose Plant	2194	Received for Sale of old Materials	10
Accumulators	1023	Balance to Cr. of last Net Revenue A/c.	5402
Office Furniture & Fittings	245	Depreciation Fund, Bal. to credit	3000
Electrical Instruments	200	Sinking Fund, Bal. to credit	5000
Artesian Well	350	Sundry Creditors	6873
Law & Parliamentary Charges *re* Company's Act	6000	Bank Loan	20000
Coal, Carriage &c.	13404	Capital Reserve	4000
Oil, Waste & other stores	1813	Stores on hand :—Coal	2900
Salaries of Engineers and Officers	1147	Oils, Waste, etc.	1200
Wages at Station	3347	Sundry Debtors	16500
Repairs & Maintenance	780	Rates and Insurance paid in advance	400
Rents, Rates & Taxes	2500	Investments on a/c. of Sinking Fund	5000
Management Expenses	2230	Cash in hand and at Bank	4500
Law Expenses	150		
Insurance & Special charges	480		
Int. on Debenture Stock	12800		

Answer.—*Cap. a/c. bal. to Gen. B/S.* £22514 ; *Revenue a/c. bal.* £21639 ; *Net Revenue a/c. bal.* £8991 ; *Total B/S.* £53014

NATIONAL UNION of TEACHERS. (*Advanced*, 1914.)

1. Explain : Acceptor for honour supra protest, p.p. endorsement (with an example), hotchpot, per stirpes, minimum subscription, voidable contract. **2.** From the exercise in the Elementary Stage of this Examination, compile a self-balancing Sales Ledger, and take out a Trial Balance.

3. The following items compose the Balance Sheet of the X.Y.Z. Co., Ltd., as on 31st Dec., 1913 :—Liabilities :—Capital 15000 Ordinary Shares of £1 each, fully paid ; Bills Payable £500 ; Sundry Creditors £2500 ; Mortgage on Freehold Premises £2000 ; Net Profit for the year £3000. Assets :—Cash £6000 ; Sundry Debtors £3000 ; Stock on hand £4000 ; Freehold Premises £10000. The Directors propose to pay off the Mortgage on Freehold Premises, to distribute a year's dividend at the rate of 12%, less income tax at 1/2 in the £, to purchase £1,000 Consols at 72 (neglect brokerage) to form a Reserve Fund, and to carry forward the balance of Profit & Loss. The above proposals having been duly approved, you are requested to raise the necessary ledger accounts showing these transactions and draw up a fresh B/S., showing the changed state of affairs.

4. The B/S. of Messrs. King and Duke stood on 31st Dec., 1913, as follows :—Liabilities :—Creditors £2500 ; Loan by King £2000 ; King's Capital £1200 ; Duke's Capital £4300. Assets :—Debtors £1800 ; Freehold Premises £5000 ; Stock £3200. The partners share profits and losses equally. They decide to wind up the business as on 31st Dec., 1913. The book debts realised 80%, Freehold Premises 70%, and Stock 75%. Make out the usual accounts closing the books of the firm.

5. The Trial Balance of the British Aeroplane Co., Ltd., for the year ending 31st Dec., 1913, is given below. Prepare Trading and P. & L. A/cs. and B/S., after making the following adjustments :—Depreciate Plant & Machinery, Patterns and Patents 10%. Write off £200 from Preliminary Exs. Add £1000 to Sinking Fund for redemption of Debentures. Provide for a half-year's Debenture interest due 1st Jan., 1914. Leave Bad and Doubtful Debts Reserve at 5% on Sundry Debtors. Stock £8075.

Dr. Balances—	
Calls in arrear	£500
Freehold Premises	20000
Plant & Machinery	22000
Interim dividend paid 1st Aug., 1913	2500
Stock, 31/12/12	19000
Office Furniture	525
Patterns	5150
Patents	4000
Sundry Debtors	27700
Cash in hand	450
Cash at Bank	8800
Purchases	63655
Preliminary Expenses	800
Sinking Fund Investments	5000
Manufacturing Wages	29500
Repairs & Renewals	1200
Coal, Gas & Water	2500
Rates & Taxes	1750
Salaries	1125
Travelling Expenses	1075
Dr. Balances continued—	
Discounts allowed	£2020
Directors' Fees	420
Bad Debts	250
Debenture interest paid 1/7/13	400
Cr. Balances—	
Authorised Cap. £60000 divided into 60000 shares of £1 ea.	40000
Subscribed and fully called cap.	
Debentures, 4%	20000
Bal. of P. & L. A/c. last a/c.	2140
Bills Payable	9000
Sundry Creditors	17700
Sales	123500
Discounts received	1180
Sinking Fund for Redemption of Debentures	5000
Bad & Doubtful Debts Res.	1250
Royalties received	350
Int. on Sinking Fund Investments	200

Answer.—*Gross Profit*, £19420 ; *Net Profit*, £6360. *Total of B/S.* £97800.

NATIONAL UNION of TEACHERS. (*Advanced*, 1915.)

1. Explain :—moratorium, exchequer bills, exchequer bonds, garnishee order, private company, secret reserve. **2.** A colliery is leased to a company subject to a royalty of 6d. per ton on the output, and a minimum or dead rent of £600 per ann. Allowances for "short workings" are provided for. During 5 years the coal actually won amounted to 12000 ; 18000 ; 24000 ; 30000; and 45000 tons respectively. Make out, in the company's books, for the period in question, Royalties A/c., Landlord's A/c., Short Workings A/c.

3. A company having a registered capital of £100,000 in £1 shares issued on Jan. 1, 1915, 60000 shares at a premium of 2s. per share payable 10s. per share on application and 12s. on allotment, including the premium. The shares were duly subscribed and allotted on Jan. 8, 1915. The Company acquired on the same date a business for £50000 payable as to £40000 in fully paid shares, and £10000 in cash. The registration and formation expenses, which amounted to £2000, were paid out of the premium on the shares, and the balance was carried to Reserve Fund. Make out the ledger a/cs. necessary to record these transactions, also a Balance Sheet.

4. John Brown filed his petition on Dec. 31, 1914. Prepare his Statement of Affairs and Deficiency A/c. Creditors unsecured £37500 ; Creditors partly secured by lien on Debentures, £20000 ; Creditors fully secured by lien on Stock-in-trade ; £50 ; Liabilities on Bills discounted, of which £1750 is estimated to rank, £3500 ; Mortgage on Factory, £5000 ; Creditors for Rates, Taxes, Wages, &c., payable in full, £1500 ; Book Debts :—Good, £10000 ; Doubtful and Bad, £5000, estimated at £1000 ; Consignments :—Good, £2500 ; Stock-in-trade, estimated to produce £20000, £30000 ; Debentures cost, and estimated to realise £8000 ; Cash at Bank, £100 ; Bills receivable, £650 ; Factory estimated at £5500 ; Machinery expected to realise £6000, cost £7500 ; Fixtures expected to realise £750, cost £1500 ; Houses expected to realise £1500, cost £1750 ; On Jan. 1, 1909 he had a Capital of £25000. Profits of £10250 were made in 6 years, after allowing £5000 as interest on Cap., and withdrawals £31800.

Answer.—*Deficiency* £9800 ; *Total Statement of Affairs* £51250.

5. Thomas Watkins died on Feb. 28, 1915, leaving the following estate :—Cash in the House, £75, cash on deposit at bank, £3000, cash on current account, £250, household furniture, £1200, mortgage at 6% held on freehold premises to secure £4000. 6 months' interest being due on June 30. Debts due to Testator £1000 ; of these £50 proved to be irrecoverable. Life Policy with profits £3300. Sundry Creditors £130. There was a legacy to his coachman of £200, and another of £100 to his housekeeper, both being strangers in blood. The residue was left to his son absolutely. Funeral expenses amounted to £35. Testamentary expenses to £350, and estate duty may be taken at 5%. By July 31, all amounts due to the estate had been received and all claims discharged. Write up the books as at that date, taking no account of Income Tax or Bank Interest. It will suffice to show (*a*) Estate A/c., (*b*) Cash A/c., (*c*) Mortgage A/c., (*d*) Income A/c., (*e*) Legacies A/c., (*f*) Balance Sheet.

NATIONAL UNION of TEACHERS. (*Advanced*, 1916.)

1. Explain :—Special commissioners, floating charge, clog on redemption, partnership lien, no consideration, inscribed stocks. **2.** On 31st Dec., 1915, the B/S. of Black & White stood as follows :—*Liabilities* :—Sundry Creditors, £750 ; Black's Cap. A/c., £4250 ; White's Cap. A/c., £2500. *Assets* :—Cash, £1825 ; Sundry Debtors, £3000 ; Premises, £1375 ; Stock, £1300. Black buys out White, agreeing to pay him £3200 for his share of the Assets and Goodwill of the business as it stands, £600 being paid at once and the balance to be paid in three months' time. Show the B/S. of Black as on 1st Jan., 1916 (after the transaction has been completed), also the Cap. A/cs. of Black and White.

3. From the following make out the B/S. and P. & L. A/c. of the Universal Bank, Ltd., for the half-year ended 31st Dec., 1915. Paid-up Cap., viz. :—£12 10s. per share on 303,928 shares of £60 each, £3,799,100 ; Reserve Fund, £3,419,190 ; Current, deposit, and other a/cs., £66,974,403 ; Acceptances on behalf of customers, £5,103,990 ; Cash in hand and at bank of England, £11,654,203 ; Money at call and at short notice, £9,190,416 ; Consols and other Government securities, £4,031,938; Indian Railway Stocks, £631,979 ; British Railway and Corporation stocks, £2,782,336 ; Colonial and Foreign stocks, £1,252,900 ; Sundry Investments, £881,166 ; B/E., £8,503,128 ; Advances and loans on security, £34,002,460 ; Balance of Profit from last a/c., £173,505 ; Net Profit for half-year ended 31st Dec., 1915, after providing for Bad and Doubtful Debts, £369,536 ; Written off Bank Premises, £20000 ; Added to Officers' Pension Fund, £5000 ; Bank Premises, Head Office and Branches, £1,780,208 ; Provide for £30000 as rebate on bills not yet due, and for £314,919 as dividend payable 1st Feb., 1916. Carry forward the bal. of Profit & Loss.

4. From the following make out a Coal Production A/c. and a Coke Production A/c. for the year ended 31st Dec., 1915. Show the cost of each item of expense per ton of coal and coke respectively, taking the coal used for coke-making at cost price. 1st Jan., 1915, Stock of Coal on hand 9000 tons valued at 6/8 per ton. Coal consumed at the Colliery, £3500 ; Wages paid for Coal production, £37000 ; Timber, £4000, Ropes, £750, Stores, £4250, used for Coal production ; Rates, taxes, &c., for Coal production, £4500 ; Salaries paid for Coal production, £3000 ; Royalties paid, £5000 ; Sales of Coal (including colliery consumption) 153,000 tons, £56000. Sales of Coal to Coke Production A/c. 78000 tons at cost, as ascertained by this a/c. Total colliery output of coal 240,000 tons. 31st Dec., 1915, Stock of Coal on hand 18000 tons valued at 6/8 per ton. 1st Jan., 1915, Stock of Coke on hand 1500 tons valued at 12/- per ton. Wages paid for Coke-making, £2900 ; Stores used for Coke-making, £2000 ; Salaries paid for Coke-making, £600 ;

Sales of Coke 48,500 tons, £30517 ; Total output of Coke 48000 tons. 31st Dec., 1915, Stock of Coke on hand 10000 tons valued at 12/- per ton.

5. The balances below relate to the Cornwall Gas Co., Ltd., for the half-year ended 31st Dec., 1915. Make out Cap., Revenue, and Net Revenue A/cs., and B/S. as at that date. Cap. receipts :—Ord. Stock, £2,965,000 ; Deb. Stock, £1,266,034 ; Premiums on the above, £808,860. Cap. expenditure to 30th June, 1915, £4,715,184 ; Cap. during half-year to 31st Dec., 1915, viz. :—New Buildings & Machy., £20860 ; New & additional Mains & Services, £16147 ; New and additional Meters, £14539 ; New and additional Stoves, £9426 ; Purchase of New Land and Incidentals, £1126 ; Cr. By Sale of Land, £898 ; Expended on Manufacture of Gas :—Coal & Oil, £328,044 ; Purification, £21518 ; Salaries & Wages at Works, £73442 ; Repairs & Maintenance of Works, £101,707 ; Co-partnership bonuses, £18000. Expended on Distribution of Gas :—Repairs & Renewals of Mains, &c., £101,752 ; Expended on Public Lamps, £1576. Rent, Rates, & Taxes, £39537 ; Management exs., £29693 ; Parliamentary & Law Charges, £2806 ; Bad Debts, £1782 ; Contributions to Pension, Sick, & Accident Funds, £5733 ; Gas Referees & Official Auditor, £328 ; Receipts from Sale of Gas, £569,782 ; Public Lighting, £14704 ; Meter & Stove Rents, £55521 ; Sale of residual products, £256,657 ; Rents receivable, £1595 ; Transfer Fees, £95. Int. on Temporary Loan & Deposits with Co., £1984 ; Int. on Deb. Stock of which £26115 is due but unpaid at this date, £27490 ; Bal. to credit of Net Revenue from last a/c., £65374 ; Int. allowed by Bank, £540 ; Cash in hand & at Bank, £35710 ; Investments, £210,784 ; Stocks of Stores on hand & Sundry Plant, £381,323 ; Stocks of Coke & other Products, £35999 ; A/cs. due to the Co.—Gas, Rents, &c., £307,834 ; Bals. due for Gas & Hire purchase fittings, £58292 ; Bals. due for Street Lamps, Repairs, &c., £15232 ; Reserve Fund, £162,067 ; Renewal Fund, £22650 ; Insurance Fund, £102,188 ; Sundry Creditors, £76574 ; Deposits by Consumers & Workmen with Co., £67090 ; Unpaid divs., £1800 ; Officers' Superannuation & Guarantee Funds, £24304 ; Temporary Loan from the Bank, £90000.

LANCASHIRE & CHESHIRE INSTITUTES. (*Advanced,* 1903.)

PART I. (**1**) What books is a Company registered under the Companies' Acts required by statute to keep ? (**2**) Define as accurately as you can a Bill of Exchange and a Promissory Note. (**3**) What is a del credere Agent ? (**4**) How would you treat a partly sold consignment in a B/S. ? (**5**) How would you proceed to find an error in a T.B. ? (**6**) What is the difference between an Income and Expenditure A/c. and an A/c. of Receipts and Payments ?

PART II. On 31st December, 1902, the T.B. of Thomas Loose & Co., Ltd., was as under. Prepare a P. & L. A/c. and B/S. after making necessary adjustments. Write 5% Depreciation off Plant ; 1½% off Land and Buildings. **Stock** £25943 2s. 11d.

Dr. Balances—				**Dr. Balances** continued.			
Unpaid Calls	£87	2	6	Management & Office Salaries	£2201	12	6
Debtors	6880	3	6	Agency Expenses	876	15	4
B/R.	3148	10	10	Raw Materials	52020	16	10
Cash	61	11	9	Repairs	2373	17	8
Cash at Bank	5284	12	8	**Cr. Balances—**			
Land & Buildings ...	38080	–	–	Share Capital 100000 shares of £1 ; 17/6 paid	87500	–	–
Plant	56230	–	–	4½% Mortgage Debenture Stock	50000	–	–
Consignments*	2694	18	3	P. & L. A/c.	604	3	7
Stock, 1st Jan.	21721	19	4	Trade Creditors	4630	1	11
Suspense A/c.....	186	–	–	Loans at 5%	1000	–	–
Int. on Debentures and Loans to 30th Sept.	1725	–	–	B/P.....	716	12	–
Trade Charges	9126	17	5	Sales	84682	13	9
Wages	25683	12	8				
Directors' Fees	750	–	–				

*This has been treated as a loss.

Ans.—*Gross Loss* £622 7 10 ; *Net* £12507 7 4 ; *Deficiency* £11903 3 9.

PART III. Richard Humphrey's B/S. on 31st Jan., 1902, was as follows :—**Assets:**—Sundry Drs. £106 2s. 3d. ; Stock at cost £395 11s. 9d. ; Cash in hand £1 2s. 11d. ; Shop fittings at cost £173 12s. 6d. **Liabilities:**—Bank Overdraft £241 19s. 3d. ; Trade Crs. £378 14s. ; John Joker, for Rent, £15 ; Capital £40 16s. 2d. Being pressed by creditors he filed his petition in bankruptcy. On going through the list of debtors he found that of the amount entered in the books £60 11s. 3d. was irrecoverable, and that accounts amounting to £10 11s. 6d. were disputed. He estimated that the stock, if sold by auction, should realise £315, and that the shop fittings would realise £45. His household furniture was estimated at £280. He owed to sundry tradesmen £55 4s. 6d., and a year's rent for his dwelling house at £35 per ann. He also owed £2 1s. 6d. Income Tax, and £8 15s. for Rates. The shop assistant had not received her wages for the previous two weeks at 17s. 6d. a week. Prepare Statement of Affairs. **Answer.**—*Deficiency* £62 6s. 10d.

LANCASHIRE & CHESHIRE INSTITUTES. (*Advanced*, 1904.)

PART I. **1.** If you were given books which had been kept on Single Entry for some years, how would you convert the system to Double Entry ? **2.** Give a specimen ruling of a purchase book suitable for home trade warehouse, and make three entries. **3.** In the case of a sale and purchase of a business, when all the books are taken over, what entries are necessary ? **4.** What are the meanings of the following terms :—Founders' Shares, Mortgage Debenture, Preference Share ? **5.** Give the ruling for a Share Register. **6.** Describe sectional balancing of books.

PART II. Prepare Trading, P. & L. A/cs. and B/S. of John Stephens & Co., Ltd., from T.B. dated 31st Dec., 1903, the **Stock** being £3197 16. Write 2½% off Land and Buildings ; 6% off Machinery and Plant ; 10% off Goodwill ; 25% off Formation Exs. ; and 7½% off Office Furniture. The Company was registered on 15th Dec., 1902, and commenced Trading on 1st Jan., 1903. Capital £80000 ; divided into 30000 £5% Cumulative Pref. Shares of £1 each fully paid ; and 50000 Ord. Shares of £1 each, 40000 having been issued and 15/- per share having been called up.

The dividends upon the Pref. Shares are payable 1st April and 1st Oct.

Dr. Balances—			
Sundry Debtors	£9507	3	9
Patents, 2 years expired	3000	–	–
Royalties	294	8	11
Int. Div. paid on Pref. Shs. less Tax, 1st Oct.	1073	8	9
Chief Rents	12	4	8
Land & Buildings ...	17600	–	–
Plant & Machinery ..	28896	14	–
Office Furniture.....	412	10	–
Goodwill	10526	5	4
Cash in hand	78	4	6
Bank	4493	2	8
Interest	408	–	–
Int. on Mortgages to 30th June, less Tax	190	16	8
Directors' Fees	350	–	–

Dr. Balances continued—			
Management and Office Salaries	£1530	–	–
Wages	20921	11	8
Formation Expenses..	2397	18	2
Calls in Arrear	50	–	–
Suspense	1316	12	9
Cottages	2000	–	–
Trade Expenses	6772	6	2
Purchases	49793	4	10
Cr. Balances—			
Mortgage at £4%	10000	–	–
Sundry Creditors	7194	–	9
Rents of Cottages ...	102	9	6
Transfer Fees	1	12	6
Sales	84326	10	1

Answer.—*Gross Profit* £16515 – 8 ; *Net* £2946 8 11 ; *plus Rents of Cottages* £102 9 6. ; *Balance c/f.* £1600 9 8.

LANCASHIRE & CHESHIRE INSTITUTES. (*Advanced*, 1905.)

PART I. **1.** What entries would you make recording the forfeiture of share on which two calls had been paid ? **2.** In what classes of undertakings is the Double A/c. system generally adopted ? What do you understand by this system ? **3.** What is the object of book-keeping ? **4.** In the *Manchester Guardian* of 27th Jan., there appeared the following :—"Three of the London Banks were calling in money to-day for 'Window Dressing' purposes, and owing to the apparently heavy revenue payments just now bankers' balances were not large enough to meet the ordinary demands of the money market." What do you understand by this ? **5.** How would you deal with consignments—(*a*) In the books of the consignor ? (*b*) In the books of the consignee ? **6.** What is a Sinking Fund, and how does it operate ?

PART II. **1.** John Green, Cap. £8000 ; Hy. Richards, Cap £7000 ; Reginald Everitt, Cap. £5000 ; trade together as Green, Richards & Co., each partner is entitled to a salary of £500 per ann., and 5% Int. on Cap. Prepare Trading, P. & L. A/cs., and B/S. on 31st Dec., 1904, the **Stock** being £8316 19 10 ; and write 7½% Depreciation off Machinery and 2½% off Works.

Dr. Balances—			
Debtors	£5162	11	1
Bills Receivable.....	365	10	–
Stock, 1st Jan., 1904	7017	13	8
Purchases	62169	7	3
Wages	3013	4	4
Salaries of Staff	618	13	8
Office Expenses	493	8	5
Property—Works	6500	–	–
Machinery	10000	–	–
Cash	16	14	11
Bank	1029	17	7
Discount	394	11	3
Interest on Loans ...	12	10	–

Dr. Balances continued—			
Insurance	£63	4	–
Consignments*.....	198	10	–
Bad Debts	17	2	6
Sundry Trade Charges	2838	18	9
Cr. Balances—			
Creditors	4726	15	2
Bills Payable	918	19	11
Reserve for Bad Debts	100	–	–
Sales	73483	10	10
Loans at 5%, Borrowed June 30th	500	–	–
Reserve for Discounts	182	11	6

* **Note.**—The " Consignments £198 10 " has been treated as a loss. The profit has been divided in proportion to the capital, although the Law requires profits to be divided equally in the absence of any agreement to the contrary.

Answer.—*Gross Profit* £9401 15 5 ; *Net* £1550 16 10 ; *Bal. of Cap. Green*—£9520 6 9 ; *Richards*—£8392 15 11 ; *Everitt*—£6137 14 2.

PART III. Chas. Jackson guarantees a loan of £200 for a friend, hearing that this friend was in financial difficulties and only able to pay about 10/- in the £ if made bankrupt, and being himself pressed by creditors he decided to file his petition. He had a works which cost recently £1000, but on this there was a mortgage of £800, cash at the bank £140 2 3, cash on hand £11 10 – ; out of which he gave his solicitor £10 on account of costs. His stock-in-trade had cost £398 4 3, but on forced realisation it would not bring in more than £275 ; his machinery, etc., ought to sell for £200, and the fittings, etc., for £50 ; after considering his book debts carefully he thought that £118 10 was good, £296 11 bad, and £76 4 3 doubtful, perhaps worth £30 ; he had also a B/E. for £87 4. He had unsecured creditors for £753 4 11, had accepted two accommodation bills for £100, and on reference to his bill book found that he had two months before endorsed over Wm. Fletcher's 3 mos. bill for £167 5 – to a creditor. He owed £10 for house rent, £20 for Income Tax, £29 18 3 for rates and £26 16 5 for wages. He had also household furniture worth £175, and a gold watch and chain worth £15. Make out Chas. Jackson's Statement of Affairs. **Answer.**—*Surplus* £162 6 8. *Total B/S.* £1215 11 7.

LANCASHIRE & CHESHIRE INSTITUTES. (*Advanced*, 1906.)

PART I. **1.** How would you deal with deferred shipping rebates in connection with consignments ? **2.** What governs the Rate of Depreciation ? **3.** State the advantages or disadvantages of loose leaf ledgers. **4.** Describe a Municipal Corporation Sinking Fund :—(*a*) As to method of contribution to same. (*b*) As to interest received on instalments invested. **5.** How would you deal with Contangos in a Stock Broker's books ? **6.** In what way does a Partnership differ from a Limited Liability Company, and what books are necessary for the latter and not for the former ?

PART II. Perry & Knowles, Ltd., are Brewers, with a Nominal Cap. of £500000. Prepare Trading, P. & L. A/cs. and B/S. on 31st Dec., 1905, the **Stocks** being :—Brewing Materials £7973 2 4 ; Sundries £614 12 3. Carry forward £150 as unexpired rates. Write 15% off Barrels, etc., 9% off Horses, Drays, etc., 7½% off Plant & Machinery, 5% off Furniture & Fittings.

Dr. Balances—	£	s.	d.
Licensed & other Property	526672	18	4
Goodwill A/c.	22377	18	4
Formation Expenses	4305	12	6
Premiums on, & alterations to, Leases	16111	19	4
Wages	3040	8	2
Brewing Materials	30244	6	4
Trade Defence Fund Contribution, 2 Jan., 1905 (half to be written off)	75	–	–
Contractors on a/c. of Cap. alterations to Property	1407	16	11
Commissions	234	16	–
Discounts	314	4	2
Ord. Sh. Div. (Interim, 23rd July)	3750	–	–
Investments	9611	18	4
Sundry Debtors	28714	12	1
Pref. Share Dividends	14227	15	4
Plant & Machinery	7104	2	9
Barrels, &c.	3106	8	10
Horses, Drays, &c.	2114	12	2
Compensation charges under the Licensing Act (half to be capitalised)	874	10	–
Cash in hand	34	3	11
Cash at Bank	3797	8	9

Dr. Balances continued—	£	s.	d
Int. on Debenture Stk.	2137	10	–
Railway Claims written off	12	7	–
Income Tax	1083	4	8
Directors' Fees	500	–	–
Furniture & Fittings	207	6	4
General Trade Exs...	8214	6	4
Beer duty paid, less amount charged out	2823	2	8
Cr. Balances—			
Ord. Share Cap.	250000	–	–
6% Pref. Share Cap.	249610	–	–
Calls paid on Forfeited Shares	28	–	–
Mortgages on Licensed Property	3850	–	–
Reserve Fund	10000	–	–
Reserve for Loss on Investments	800	–	–
Reserve for Doubtful Debts	200	–	–
4½% Debenture Stock (Int. payable 1st Jan. and 1st July)	100000	–	–
Sundry Creditors	6325	4	7
Recd. on a/c. of Debts written off	112	16	8
P. & L. A/c., 1st Jan.	16814	12	1
Sales, less Returns	49743	2	11
Rent A/c.	5614	13	–

Answer.—*Gross* £22223 – 4; *Net* £11792 7 8; *Total B/S.* £632579 19 –.

PART III. From the foregoing make out Income Tax Return for the Surveyor of Taxes. (*Net Assessment* £12509 4 10.)

LANCASHIRE & CHESHIRE INSTITUTES. (*Advanced*, 1907.)

PART I. **1.** I buy goods on the 1st March, 1907, dated forward as June. I make up my accounts on the 30th April. How should I deal with this item in my purchases day book, ledger, and balance sheet ? **2.** In rendering accounts to the surveyor of taxes for income tax purposes, certain adjustments are necessary. Name at least five of such items, and the reason why they are excluded in arriving at the figures of assessment. **3.** Explain the difference between (*a*) Sinking Fund. (*b*) Reserve Fund. (*c*) Reserve a/c. **4.** What do you understand by :—(*a*) Nominal a/c. (*b*) Real a/c. (*c*) Personal a/c. ? Give two examples of each. **5.** Is it advantageous or not to convert a business into a limited liability company ? Give reasons for your answer. **6.** A friend desires you to advise him as to whether he should invest £1000 (which he has free) in :—(*a*) Ordinary shares of a Company which has paid 8% per ann. during the last three years ; or (*b*) In 6% Cumulative Preference Shares of the same Company ; or (*c*) In 4% Debentures of the same Company. How would you advise him ?

PART II. The nominal capital of the Lancashire & Cheshire Engineering Co., Ltd., is £10000 divided into 10000 Ord. Shares of £1 each, £20000 divided into 20000 7% Cum. Pref. Shares of £1 each, and the Company is authorised to issue £10000 divided into 200 5% first Mortgage Debentures of £50 each. Prepare

Trading, P. & L. A/cs. and B/S. from the following T.B. as on 31st March, 1907. **Stock** £3025 10s. ; Loose Tools valued at £1870. Depreciate Plant and Machinery 10% ; Office Furniture and Fittings 5% ; and Patents 20%. Res. £200 for Discounts, and £150 for Bad Debts.

Dr. Balances—			**Dr. Balances** continued—		
Arrears on Ordy. Shares	£70	–	Bad Debts	£127	10
Plant & Machinery	15000	–	Directors' Fees	200	–
Patents	3960	10	Interim Pref. Div. paid 15th October, 1906	665	–
Office Furniture & Fittings	127	–	Bank Charges	57	10
Sundry Debtors	12125	10	Deb. Int., less Tax	285	–
Purchases	15965	16	Cash in hand	73	4
Returns off Sales	267	10			
Salaries	200	–	**Cr. Balances**—		
Goodwill	9788	5	Ordinary Share Capital	10000	–
Stock of Materials, 31st March, 1906	2760	–	Preference Share Capital	20000	–
Wages, productive	2576	10	200 5% 1st Mortgage Deb., £50 each, £30 paid	6000	–
Carriage (inwards)	320	5	Sundry Creditors	5609	–
Carriage (outwards)	167	10	Returns off Purchases	287	–
Coal & Coke	250	–	P. & L. A/c. bal. 31 Mar.,'06	169	10
Loose Tools, 31 Mar., 1906	1890	–	Discounts received	200	–
Rent, Rates, Taxes & Insce.	236	10	Lloyd's Bank, Ltd.	1067	10
Sundry Expenses	157	10	Sales	24698	–
Discounts allowed	760	–			

Ans.—*Gross* £6120 9 ; *Net* £1210 10 ; *Total B/S.* £43321 10.

PART III. Prepare a Statement of Affairs from the following particulars of Jonas Johnson, Manufacturer, Burnley, on the 18th March, 1907. Unsecured Creditors £22100 ; Fully secured Creditors £9870, Partly secured Creditors £4764, Securities held by Creditors, fully secured, valued at £12107, Securities held by Creditors, partly secured, valued at £2321, Creditors for rents, rates, taxes, and wages (of which £600 only is preferential), £850, Plant and Machinery, book value £12600, estimated to produce only one-third of this sum. Office Furniture estimated to realise £50, Cash in hand £5, Book Debts, good, expected to realise £3000, Doubtful £500, expected to realise £200. Bad £300, expected to realise *Nil.* Life Policy on the life of Jonas Johnson, in the Atlas Assurance Co., paid 20 annual premiums of £24 each. Estimated surrender value is $\frac{2}{5}$ths of the amount paid in premiums. How much in the pound does the estate show ? **Answer.**—7/5¾. *Deficiency* £15509.

LANCASHIRE & CHESHIRE INSTITUTES. (*Advanced*, 1908.)

PART I. **1.** In what respect, if any, does an Income and Expenditure A/c. differ from an A/c. of Receipts and Payments ? **2.** What do you understand by the term "Depreciation" ? How does depreciation apply to Plant and Machinery, leaseholds, and goodwill ? **3.** Explain the term "Minimum or Dead Rent," and "Royalty," as used in Mining. How would you deal with dead rent in the books of a Colliery Co. ? **4.** What do you understand by "Account Current" ? Make out such an A/c. for Yeadon & Co. from the following :—

Jan. 1. Sold goods to Marshall & Co., £200, due 1st March.
Feb. 1. Received cash from Marshall & Co., £100.
Mar. 1. Bought goods from Marshall & Co., £500, due 1st May.
Apr. 1. Paid Marshall & Co., £300.
May 1. Bought goods from Marshall & Co., £200.
June 30. Sold goods to Marshall & Co., £300.
Interest 5%, the account to be made up to the 30th June, 1907.

5. In preparing a/cs. for the Surveyor of Taxes showing profits taxable under Schedule D, how would you deal with the undermentioned items :—(*a*) Bank Interest ; (*b*) Defalcation by cashier ; (*c*) Depreciation of Land and Buildings ; (*d*) Fire Insurance ; (*e*) Partners' salaries ; (*f*) Int. on cap. ; (*g*) Rents from cottage property ; (*h*) Premium on leasehold ? **6.** In closing the books of a Company, whose a/cs. are made up to the 30th June in each year, you find the following :—(1) Poor and District Rates for the half-year ending 30th Sep. next, £300 paid on 1st June. (2) A number of invoices for goods amounting to £250. The goods were delivered on the 28th June, and were not included in the stocktaking at that date, and the invoices have not passed through the books on the ground that the books are intended for use after 30th June. (3) Rent £1000 per year, payable quarterly. Last rent paid up to 30th April. (4) £600 is expended in cost of issues of Debentures, repayable in 5 years from date of issue. (5) Expenditure of £1000 on advertising new article called "Plato" introduced to the public. How would you deal with these items in the books of the Co. ?

PART II. The Silver Ore Co., Ltd., was formed on the 1st April, 1907, with an Authorised Capital of £60000, divided into 30000 Ord. Shares of £1 each and 30000 5% Cumulative Pref. Shares of £1 each. The whole of the Ord. Shares were issued and fully paid, but of the Pref. Shares 22000 only were issued, and of these 21900 were fully paid, but on the remaining 100 shares 15/- only had been paid. From the following T.B. prepare B/S., Trading A/c. and P. & L. A/c. on 1st April, 1908. Depreciate plant and light railway at 15% per ann. Wagons valued at £400, and loose tools at £300. Promotion expenses to be charged over a period of 3 years. Value of silver on hand £1500. On the 31st Dec., 1907, the Directors decided to forfeit the 100 shares on which only 15/- had been paid up.

Dr. Balances—	
Balance at Bank	£16550
Crushing Plant & Machinery	4000
Cost to date of sinking mine	2000
Land	20000
Expenses of promotion of Co.	600
Royalties paid	1000
Light Railway, cost	1200
Wages of Miners, etc.	6900
Wagons	500
Advertising	500
Carriage paid on crushing Plant & Machinery	180
Erection of Sheds, etc.	1500
Legal Expenses	100
Oil	200
Repairs to Plant	90
Coal bought	300
Coal used from own mines	150
Office Furniture	150
Salaries	2000
Interim Pref. Div., paid 2nd Oct., 1907, 5% p.a. less tax	521/18/2

Dr. Balances continued—	
Cash in hand	£53/1/10
Directors' Fees	700
Investment in Rosario Tin Mines, 2000 Ordy. Shares, £5 each, £4 paid	8000
Brokers' Charges on same	100
Deposit A/c. at bank, 3% per ann.	8900
Loose Tools	440
Cr. Balances—	
Ordy. Share Capital	30000
Pref. Share Capital	21975
Silver sold (cash)	17000
Other minerals sold (including coal used by the Co.)	950
Bank Interest	270
Div. recd. on Investment in Rosario Tin Mines	320
Interest received on Deposit A/c. at Bank to 31 Dec.,'07	120

Answer.—*Gross Profit* £11100 ; *Net Profit on Working* £6533 ; *Total Net Profit* £7039 15 – ; *Total B/S.* £58492 16 10.

PART III. Fred Jackson, on 31st March, 1908, unable to meet his engagements, requires a Statement of Affairs for submission to his creditors. Prepare from the following :—

Leasehold premises held for 99 years, subject to a payment of ground rent, £100 per year. . Book value £10000, Estimated to realise £9000

Book Debts, Good	„	6650	„	„	6000
Do. Doubtful	„	500	„	„	250
Do. Bad	„	750	„	„	——
Fixed Plant & Machinery	„	4000	„	„	3000
Stock-in-trade	„	2000	„	„	1400

Cash in hand, £10. Life insurance policy for £2500 at death, subject to a premium of £50 a year due and paid 28th Feb., 1908, and held by the Insurance Co. for a loan of £200 ; Surrender value, £500. Household Furniture and effects, £360. Private and household debts, £290. 600 Shares in Cooper & Co., Ltd., of £1 each, 10/- paid up, now quoted at 12/6 per share. Loan on £5000, secured by a first mortgage on the leasehold at 4½% the int. of same being paid to the 31st March, 1908. Unsecured Creditors, £15000. Bankers for overdraft and interest, £5000, holding as security a second mortgage on leasehold of £4000. Loan from E. Taylor, £400, at 5% per ann., interest being paid to 31st March, 1908, who holds as security second charge on life insurance policy. Ground Rent of leasehold accrued since 31st Dec., 1907. Prepare Deficiency A/c. :—On the 1st April, 1905, he had a capital of £12000 in addition to household furniture. His private drawings, as shown in the cash book, were as follows :—For the year ended 31st March, 1906, £4905 ; 1907, £4000 ; 1908, £5000. He made a profit in his business in 1906 of £5000, and in the subsequent years losses of £3000 and £935 respectively. **Answer.**—*Deficiency* £5020.

LANCASHIRE & CHESHIRE INSTITUTES. (*Senior*, 1909.)

PART I. **1.** What is the meaning of (*a*) forfeited shares, (*b*) premium on shares ? How are they dealt with in a company's a/cs. ? **2.** Having before you the P. & L. A/c. of a manufacturing business, what points would require attention in adjusting it for the purpose of submission for income tax assessment ? **3.** What is a sinking fund ? Give an example, with imaginary figures. **4.** Define an "account current," and make out such an a/c. for Alfred Brown in respect of the following transactions with Charles Dawson :—1908, 17th Jan., Goods sold to Dawson, £200, due 1st Feb. ; 1st Feb., Received Cash from Dawson, £50 ; 18th Mar., Goods bought of Dawson, £300, due 1st April ; 1st April, Paid to Dawson, cash £200 ; 1st May, Goods bought of Dawson, £150 ; 10th May, Goods sold to Dawson, £120, due 1st June. The a/c. to be made up to 1st June, 1908, interest to be at 6% per ann., which may be calculated by months instead of days. **5.** Explain, as applied to the B/S. of a Joint Stock Co., the following :—(*a*) Capital authorised ; (*b*) Calls in arrear ; (*c*) Mortgage debentures ; (*d*) Preliminary exs. On which side of the B/S. would they appear ? **6.** How should the figures be shown in a Company's B/S. in both the following cases :—(*a*) A Company issues £40000 4% Mortgage Debentures at 95% ; (*b*)

A Company issues £40000 4% Mortgage Debentures at par, and undertakes to redeem both *a* and *b* at the end of 10 years at £105.

PART II. 1. The Secretary of the Cheshire Manufacturing Co., Ltd., takes out his balances on the 31st Dec., 1908, and submits to you the following particulars, from which prepare Trading and P. & L. A/cs., and B/S. :—Nominal Cap. £150000, divided into 5000 pref. shares of £10 each, and 10000 ord. shares of £10 each. Reserve for debenture int. £375. Reserve for wages £50. Provide for bad debts £400, insurance prepaid £21. Depreciate land and buildings 1% and plant and machinery £10%. Reserve for discounts, 5% on sundry debtors and 2½% on sundry creditors. **Stock** 31st Dec., 1908, £18763. Value of loose tools at 31st Dec., £2000.

Dr. Balances—		**Dr. Balances** continued—	
Cost of issue of Debentures	£750	Carriage inwards	£220
Purchases	43249	Goodwill	10000
Land & Buildings	25100	Carriage outwards	410
Fuel	570	Debenture Interest paid	375
Plant & Machinery	5620	P. & L. A/c. loss from last A/c.	2243
Repairs	445	Unpaid Calls, Ordy. Shares	250
Loose Tools, 1st Jan., 1908	1752	Cash in hand	114
Office Expenses	363		
Wages	9371	**Cr. Balances**—	
Discounts allowed	517	5000 Pref. Shares, £10 each, £2 paid	10000
Salaries	975	10000 Ordy. Shares, £10 each, £5 called up	50000
Bad Debts	275	150 5% Mort. Debs. of £100 each issued at 95	15000
Postages, etc.	86	Sales	53847
Rates, Taxes & Insurance	524	Discounts received	324
Travelling Expenses	302	Sundry Creditors	9160
Interest & Bank Charges	75	Bank Overdraft	1525
Directors' Fees	550		
Stock, 1st Jan., 1908	11420		
Sundry Debtors	24300		

Answer.—*Gross Profit* £8548 ; *Net* £872 ; *Total B/S.* £85631.

PART III. Arthur Arnott, Ben Barber and Charles Corson carried on business in co-partnership as Corn Millers, at Salford. On the 1st October, 1907, their cap. was £8000, £5000 and £2000 respectively. By the deed of partnership each partner was to have 5% int. on cap. and a salary of £250 per ann. The only amount drawn out of the business by each partner during the year was the amount of his salary. Before taking into account any interest on partners' cap. or partners' salary, the profit of the business for the year ended 30th Sept., 1908, was £2070. Profits were divided in the proportion of 3, 2, 1, respectively. Prepare P. & L. A/c., and open Partners' Cap. A/cs. showing each partner's position on 30th Sept., 1908. **Answer.**—*Cap. of A.A.* £8685 ; *B.B.* £5440 ; *C.C.* £2195.

LANCASHIRE & CHESHIRE INSTITUTES. *Senior*, 1910.)

PART I. 1. What are the advantages of double entry book-keeping over single entry, and how would you proceed to convert a single entry system into double entry ?

2. The County Colliery Co., Ltd., pay a royalty to a ground landlord of 9d. per ton of coal raised, with a minimum of £1200 per ann., with power to recoup short workings. In 1907 they raised 20000 tons ; in 1908, 30000 tons ; in 1909, 44000 tons. How would you deal with these items year by year in the P. &

L. A/cs. and B/S. of the Company ? **3.** What do you understand by a Balance Sheet ? State the method and sources of its preparation. How does it differ from a Statement of Affairs ?

4. In the accounts of a private individual, who owns his own premises, how would you deal with the following for income tax purposes :—(*a*) His salary, charged against profits ; (*b*) interest on Capital ; (*c*) Life Insurance Premium for self and wife ; (*d*) Annual value of premises. **5.** What do you understand by :—(*a*) Secret reserves ; (*b*) Cost Accounts ; (*c*) Accommodation Bills ? **6.** What do you understand by a Deficiency A/c. ? Set out such an A/c. with imaginary figures.

PART II. **7.** The Nominal Capital of the Ideal Newspaper Co., Ltd., is £100000 ; 40000 £1 Preference Shares, and 60000 £1 Ordinary Shares. Prepare Revenue A/c. and B/S. from the following T.B. Reserve for Wages, £48 ; Discounts, £350 ; Bad Debts, £200. Depreciate Freehold Property at the rate of 1% per ann., Plant & Machinery, 7½% per ann. ; Linotype Installation, 10% per ann. ; Motor Vans, 15% per ann. The amount received for Advertisements includes £180 which will not run off until 1910. The Sales include Papers prepaid for 1910 amounting to £350. **Stock,** 31st Dec., 1909, £1646 15 –.

Dr. Balances—		**Dr. Balances** continued—	
Calls in arrear	£75	Wages	£1000
Freehold Property, 1/1/09	28000	Trade Charges	7860
Plant & Machinery, 1/1/09	9500	Correspondence	4365
Returns & unsolds	2650	Discounts allowed	855
Divs. accrued on Investments	300	Commission	380
Cash in hand	130	Printing and Stationery	110
Liverpool Banking Co., Ltd.	5295	Free Copies	695
Debtors	5800	Bad Debts	75
Linotype Installation, 1/1/09	1300	Repairs	155
Linotype Installation, additions made on 30/6/09	135	**Cr. Balances**—	
Additions to Plant & Machinery made on 30/6/09	980	40000 Cum. Pref. Shares of £1 each, 7/6 paid	15000
Stock, 1/1/09	1750	60,000 Ordinary Shares of £1 each, 5/- called up	15000
Investments at cost	6340	Calls in advance	150
Motor Cars, Vans, &c., 1/1/09	845	Sundry Creditors	7300
Motor Cars, Vans, &c., additions made on 30/6/09	90	Reserve, 1/1/09	10000
Purchases of Paper	8250	Sales (cash and credit)	22650
Purchases of Ink	475	Advertisements	19090
Salaries	9230	P. & L. A/c., 1/1/09	7320
		Bank Interest, Dividends, &c.	130

Answer.—*Bal. for Distribution* £10559 5 ; *Total B/S.* £58512 5.

PART III. **8.** L. Brier (with cash £8000) and C. Oke (without capital) enter into partnership on 1st Jan., 1905, the agreement stipulating that Brier was to receive 5% interest on his capital before dividing any profit, which was divisible three-fifths and two-fifths respectively. On 31st Dec., 1909, they agree upon a dissolution, when the B/S. was as follows :—

Liabilities.			**Assets.**	
L. Brier, Capital A/c.		£8000	Book Debts	£14000
J. Harrison, Loan A/c.		4000	Stock-in-trade	5700
Sundry Creditors		4200	Machinery, &c.	2400
Balance of P. & L. A/c. £10000			Drawings A/c. :—	
Profit for year 1909	2500	12500	L. Brier	5350
			C. Oke	1250
		£28700		£28700

L. Brier has not been credited with any interest since the commencement of the partnership. No interest on drawings or undistributed profits is to be taken into account. The book debts realised £13600 ; stock-in-trade £4900 ; machinery £2800. An amount of £500 was also received for goodwill, which had not appeared in the books. Write up the necessary a/cs. to give effect to the above, assuming that all liabilities are discharged and that the costs of realisation, amounting to £300, are also paid by cash. Show the closing of the partners' capital a/cs. The interest on L. Brier's capital is to be reckoned for each year on the original figure of £8000, and no interest on interest need be taken into account.

LANCASHIRE & CHESHIRE INSTITUTES. (*Senior*, 1911.)

PART I. **1.** The following is the P. & L. A/c. of John Aines, for the year ended the 31st March, 1911. Make out summary for income tax purposes, showing the tax payable, assuming that the surveyor has agreed to assess on the one year's profits. The business premises belong to John Aines, and are assessed under Schedule "A" at £120. The allowance for wear and tear is 5%.

To Stock, 1st April, 1910	£2123	–	–	By Sales	£8000	
„ Purchases	5896	–	–	„ Stock, 31st March, 1911	1548	
„ Trade Expenses	748	1	8			
„ John Aines, salary	150	–	–			
„ Life Insurance	93	–	–			
„ Schedule "A" tax	7	–	–			
„ Mortgage Int. £70, less tax	65	18	4			
„ Depreciation 10% per ann.	212	–	–			
„ Interest on Capital	103	–	–			
„ Net Profit for the year	150	–	–			

Answer.—*Net Assessment*, £461 18 4.

2. What do you understand by (*a*) Floating capital, (*b*) Fixed capital, (*c*) Gilt edged securities ? **3.** On the 31st Dec., 1910, your cash book shows that you have in bank the sum of £1200. On checking your cash book with the bank pass book you find that cheques drawn amounting to £212 have not passed through the bank, and also that the bank have not credited you with a sum of £108, cheques paid in on the 31st Dec., 1910. On the same date the pass book shows that the bank have credited you with interest, less charges, £24, which you have not passed through your cash book. Draw up a Reconciliation a/c. showing adjustments between your bank pass book and cash book. **4.** Explain the difference between (*a*) Debenture stock. (*b*) Debentures to bearer. (*c*) Debentures to registered holder. **5.** What do you understand by the "Double Account System" and in what way does it differ from the "Single Account System"? **6.** On the 31st Dec., 1910, John Allison and Albert Baker, trading as Allison & Baker, Cotton Spinners, before taking out their B/S. for the year, decide to have a re-valuation made of certain mill premises which form part of the assets of the business. On the re-valuation being made it is found that the property is worth £10000 more than is shown in the books. It is their desire that the true value shall be shown on their balance sheet. How would you give effect to this in the books of the business ?

PART II. The following is a T.B. extracted from the books of the Pleasant Hotel Co., Ltd., on the 31st Dec., 1910, from which prepare Revenue A/c. and B/S. Nominal Capital, £25000 divided into 10000 5% cumulative pref. shares of £1 each, and 10000 ordy. shares of £1 each, and 5000 deferred ordy. shares of £1 each. Reserve for debenture int., less tax @ 1s. 2d. in the £; wages and salaries, £128. **Stock,** 31st Dec., 1910—Beer, wines, spirits, &c., £2520; provisions, £164. Depreciate furniture & fittings 5% for the year. Prepare P. & L. Appropriation a/c., assuming that after the ordinary shareholders are allowed 10% free of tax, the deferred ordinary shareholders are to be paid a dividend of 10% free of tax, and the balance c/f.

Dr. Balances—	
Purchases—	
Beer, wine & spirits, &c. ..	£5450
Provisions.....	4580
Wages & Salaries	5230
Rates, taxes, insurance, licenses, &c.	1890
Laundry	313
Coals	129
Carriage & porterage	236
Sundry Trade Expenses	584
Advertising	471
Repairs	208
Freehold Land & Buildings	35000
Furniture & Fittings	3671
Stocks :—1st Jan., 1910—	
Beer, wines, spirits, &c. ..	2128
Provisions.....	320
Cash in hand, £123 12s. 11d.	
Preliminary Expenses	864
Debenture Int. paid less tax to 31st Oct., 1910, £706 5s.	
Investments	5069
Goodwill at cost to Company	10000
Interim dividend on preference shares, half-year to 30th June, 1910 ...£200 2s. 1d.	

Dr. Balances continued—	
Debtors for apartments not yet entered	£152
Additions to freehold	2112
Cr. Balances—	
8500 5% Cumulative Pref. shares	8500
9000 Ordinary shares fully paid	9000
5000 Deferred Ordy. shares issued to vendors as fully pd.	5000
Takings—Beer, wines, spirits, &c.	7862
Sales of food	6263
Apartments	8191
Billiards	212
Sundry Receipts	159
Discounts received	390
Transfer Fees	6
200 4½% 1st Mortgage debentures of £100 each	20000
P. & L. A/c., 1st Jan., 1910	1510
Sundry Creditors	4980
Reserve Fund	5000
Debtors for apartments not yet entered	152
Parr's Bank, Ltd.	2212

Answer.—*Net Profit,* £3220 19; *Balance c/f.* £2930 14 10; *Total B/S.* £59492 1 11.

PART III. W. Lone and T. Stanley are trading as partners in the firm of Lone, Stanley & Co., profits being shared as follows :—W. Lone ⅔rds and T. Stanley ⅓rd. The following is the B/S. of the firm on 31st Dec., 1908 :—

Liabilities.		**Assets.**	
W. Lone, Capital A/c.	£2000	Cash	£200
T. Stanley, Capital A/c.	1800	Sundry Assets	27600
Sundry Creditors	24000		

On the 1st Jan., 1909, they admit M. Maxwell as a partner, on the following terms :—(*a*) Profits are to be divided as to ⅜ths to W. Lone, ⅜ths to T. Stanley, and ¼th to M. Maxwell. (*b*) M. Maxwell to bring £1000 as his capital. (*c*) A Goodwill A/c. is to be raised for £1800, this sum to be credited to the old partners. (*d*) W. Lone is at liberty to withdraw £400 of his capital on 1st Jan., 1909. (*e*) M. Maxwell to have a salary of £400 per ann. out of profits. (*f*) Interest to be allowed on

partner's capital a/cs. at the rate of 5% per ann. No interest on ordinary drawings to be taken into a/c. Each partner is at liberty to draw £40 a month in anticipation of profits (in the case of M. Maxwell the £40 is in anticipation of profits and salary). Assume that all transactions mentioned above have been carried out. The profits for the year ended 31st Dec., 1909, before making any allowance for M. Maxwell's salary, or for interest on partner's capital, amounted to £2510. Show the partner's Capital A/cs., as on 31st Dec., 1909.

Answer.—*Balance of Cap. A/cs., W.L.*, £3360 ; *T.S.*, £2640 ; *M.M.*, £1270.

LANCASHIRE & CHESHIRE INSTITUTES. (*Senior*, 1912.)

PART I. **1.** A merchant sells goods, as follows :—1911, Nov. 10, £250 ; Nov. 26, £100 ; Dec. 6, £300 ; Dec. 17, £50. Payment to be made by bill for 6 mos. from date of invoice. From what date can he draw a B/E. on his customer for the total amount, which will be equivalent to drawing separate bills from each of the dates given for the respective amounts ?

2. The following is the B/S. of Ramsey and Ryan, as on the 31st Dec., 1911. Up to that date the books had been kept on an incomplete single entry system, and the firm wish you to open a new set of books on the system of double entry. What books would be required, what procedure would be necessary to open them, and briefly what instructions would you give to the book-keeper as to their use ?

Liabilities.			Assets.	
Sundry Creditors		£320	Cash in hand	£10
Reserve for Wages owing		30	Cash at Bank	250
Capital A/cs. :—			Sundry Debtors	700
J. Ramsey £700			Stock-in-Trade.....	540
H. Ryan 700		1400	Office Furniture.....	50
			Plant & Machinery	200

3. A company issues £10,000 Debenture Stock at 95%, and pays 1% for underwriting it. Record the transactions in the Company's books by Journal entry. **4.** Define a Balance Sheet and a Statement of Affairs, and explain the difference (if any) between them. **5.** State briefly the facts that would guide you in arriving at the proper figure of depreciation to write off the following assets :—(*a*) Plant & Machinery. (*b*) Leases. (*c*) Patents. **6.** A merchant sold goods to the extent of £5217, and realised a profit of 38.75% on his sales. What was the cost price of goods sold ?

PART II. Farndale & MacLeod, Ltd., Wholesale Stationers, Liverpool, have a registered Cap. of 75000 Shares of £1 each, upon which 15/- per share has been called up. Owing to default by non-payment of calls 500 shares upon which £100 has been received, have been forfeited in accordance with the Articles of Association. From the following T.B. extracted from the books on 31st Dec., 1911, prepare Trading A/c., P. & L. A/c. and B/S. Reserve £500 for Wages, allow 2½% off Debtors and Creditors for dis. Insurance is prepaid £12. Depreciate

Leasehold Premises 1% per ann., Plant & Machy. 5% per ann., Office Furniture 5% per ann. Reserve £125 for Bad Debts. **Stock,** 31st Dec., 1911, £4174.

Dr. Balances—	
Calls in Arrear	£75
Leasehold Premises, Jan., 1911	30500
Plant & Machy., Jan., 1911	11000
Additions thereto during year, to be taken as made on 1st July, 1911	600
Bad Debts	272
Cash in hand	10
Office Furniture, Jan., 1911	65
Stock, 1st Jan., 1911	3560
Purchases	21049
Wages	10747
Salaries	1020
Carriage Inwards	74
Carriage Outwards	119
Insurance	87
Postages & Telegrams	43
Rates, Taxes, &c.	482
Office Wages	389
Advertising	58
Repairs to Plant & Machy	61

Dr. Balances continued—	
P. & L. A/c., 1st Jan., 1911	£100
Discounts allowed	£2474/15s.
Sundry Debtors	11650
Debenture Int. half-year to 30th June, 1911, pd. less tax.	£141/5s.
Directors' Fees	200
Goodwill	10000
Advertising Places, &c., at stations as at 1st Jan., 1911, to be written off over 3 years	600

Cr. Balances—	
Share Capital	55875
Forfeited Share A/c.	100
Reserve, 1st Jan., 1911	2000
Sundry Creditors	1250
Bank Overdraft	125
Sales	40700
Discounts received	327
Debentures, 500 at £10 ea., bearing int. at 6% p.a.	5000

Answer.—*Gross Profit* £8944 ; *Net Profit* £2339 12 6 ; *Total of B/S.* £67124 12 6.

PART III. J. Dyson and W. Daw traded in partnership as Dyson & Co., sharing profits and losses ⅔rds. and ⅓rd. respectively, and on the 31st Dec., 1911, their B/S. was as follows :—

Liabilities.		**Assets.**		
Sundry Creditors	£2000	Cash in hand		£15
Bills Payable	500	Bills Receivable		250
Bank Overdraft	1115	Sundry Debtors	£3000	
Capital A/cs. :—		Less Reserve for Dis. and Bad Debts	150	2850
J. Dyson	£2000			
W. Daw	1000			
	3000	Stock-in-Trade		2500
		Plant & Machinery		1000

On that date they agreed to sell the business to a limited company, the company to take over at the following valuations :—Sundry Debtors £2700 ; Stock £2200 ; Plant and Machy. £1210 ; the other assets and liabilities at their book values, and the company agreed to pay £1740 for goodwill. The firm received £3000 of the purchase price in £1 fully-paid ordinary shares in the limited company and £1500 in cash, and these assets were distributed among the partners in proportion to their capitals. Show in the books of the partnership :—(*a*) Realisation A/c. ; (*b*) Company's Purchase A/c. ; (*c*) Partners' Cap. A/cs. ; (*d*) Cash A/c. ; (*e*) and the Shares A/c. No other a/cs. are required.

LANCASHIRE & CHESHIRE INSTITUTES. (*Senior*, 1913.)

PART I. **1.** Can a trader who keeps his books by single entry ascertain the position of his affairs at the end of the year, and whether he has made a profit or a loss during the year ? Would the results obtained by a trader who keeps his books on the double entry system be equally reliable ? Give your reasons. **2.** What do you understand by the following :—(*a*) Contingent liability ; (*b*) Collateral security ; (*c*) Bonus ?

3. A Limited Company acquired a business as a going concern on the basis of accounts made up to the 31st Oct., 1911, being two months prior to the incorporation of the Company. On the 31st Oct., 1912, the books of the Company were closed and the accounts showed a net profit for the year of £9,464. How would you deal with the item of profit in the absence of any express condition ? **4.** A summary of receipts and payments for the year 1912, for the Cheshire Athletic Club, is presented to you, and you are requested to draw up an income and expenditure account for the year. What further information would you require, and how would you proceed ?

5. In preparing accounts for the Surveyor of Taxes showing profits taxable under Schedule D, how would you deal with the following items :—(*a*) Bank interest and charges ; (*b*) Loan interest ; (*c*) Repairs to premises ; (*d*) Charitable donations ; (*e*) Preliminary expenses written off ; (*f*) Depreciation on fixtures.

6. How would you deal with the following items when preparing the annual accounts of a limited company ? (*a*) Interim dividend paid on ordinary shares of £3,000 ; (*b*) Transfer of £5,000 of profit to reserve fund ; (*c*) £1,000 expenses incurred in issue of £12,000 5% debentures, repayable in 12 years from date of issue ; (*d*) Arrears of dividend on cumulative preference shares.

PART II. Mason & Smithson, Ltd., brewers, Manchester, have a registered capital of 50,000 shares of £1 each, divided into 25,000 6% cumulative preference shares and 25,000 ordinary shares. There has been called up on the ordinary shares 10s. per share, while the preference shares are fully paid. From the T.B. prepare Trading, P. & L. A/cs. and B/S. on 31st Dec., 1912. Write depreciation off the following :—Barrels 15% ; Horses and Drays 10% ; Plant and Machinery 7½% ; Furniture and Fittings 5%. Rates are paid in advance £37 ; Reserve 5% off the debtors for discounts (before deducting bad debts reserve). Reserve £200 off the debtors for bad debts. **Stock** £12,718.

Dr. Balances—				**Dr. Balances** continued—			
Freehold Property ...	£21500	–	–	Furniture & Fittings	£112	–	–
Goodwill A/c.	5000	–	–	Bad Debts	215	–	–
Formation Expenses..	750	–	–	Beer duty paid	5763	–	–
Wages	3417	10	6	Cash in hand	10	–	–
Purchases, Brewing Materials.....	32526	–	–	Horses & Drays	562	–	–
Commissions	515	14	4	**Cr. Balances**—			
Loan Int. pd. less Tax to 30/6/12	88	5	8	Preference Share Cap.	25000	–	–
Discounts	2368	–	–	Ordinary Share Cap...	12500	–	–
Travelling Exs.	1812	–	–	Cash paid on Shares forfeited and since reissued (To be transferred to Freehold Property A/c.)	15	–	–
Rates & Taxes	1400	–	–	Loan on Mortgage at 5% per annum	3750	–	–
General Trade Exs....	3659	–	–	Res. for Doubtful Debts	200	–	–
Repairs & Renewals	663	10	–	Reserve Fund	5000	–	–
Salaries	1852	–	–	Sales	66796	–	–
Stock, 1/1/12	14511	–	–	Creditors	10715	–	–
P. & L. A/c 1/1/12 ..	2425	–	–	Rents Received	279	–	–
Plant & Machinery ..	5614	–	–	Steadfast Bank, Ltd.	3411	–	6
Barrels	777	–	–				
Debtors	20825	–	–				
Directors' Fees	1300	–	–				

Answer.—*Gross Profit*, £23296 9 6 ; *Net Profit*, £7810 – 10 ; *Total of B/S.* £65849 7 –.

PART III. On 31st Dec., 1912, Wm. Gardiner finds that he is unable to pay his creditors in full. From his books and papers and information supplied by him the following particulars were obtained :—Debtors (Good £1000 ; Doubtful £450, estimated to produce £75 ; Bad £225) £1075 ; Cash in hand £28 ; Investments in the Popular Manufacturing Co. £1000 (which is in liquidation and is expected to pay 10s. in the £) ; Property £2896, estimated to realise £2000 ; Stock-in-Trade £650, estimated to realise £500 ; Value of Securities pledged with fully secured creditors £15720 ; Creditors unsecured £4870 ; Fully secured £10000 ; Partly secured (who have a second charge on securities deposited with fully secured creditors) £7500 ; Preferential claims, wages and taxes £345 ; Contingent liability on bills discounted £500, expected to rank £50. Prepare a Statement of Affairs, also make out Deficiency A/c. from 1st Jan., 1910, when he had a Capital of £2000. Profits :—1910, £500 ; 1911, £500 ; Loss, 1912, £866. Withdrawals have been at the rate of £800 per year in addition to other losses which have averaged £160 per annum. (*Deficiency* £2942.)

LANCASHIRE & CHESHIRE INSTITUTES. (*Senior*, 1915.)

PART I. **1.** Explain briefly the object of a bad debt reserve. Upon what basis is it usually formed, and how does it affect the Profit & Loss A/c. and Balance Sheet ? **2.** Prepare from the following figures a "Sales Ledger Adjustment A/c." as it would be shown in the private ledger of a company which balances its ledgers separately :—Jan. 1, 1914, Balances due from debtors, £1281 9s. 2d. ; Dec. 31, 1914, Cash received from debtors, £7712 9s. 7d.; Bad Debts, £120 6s. 6d. ; Interest charged to customers, £82 13s. 4d. ; Discounts allowed, £280 18s. 3d. ; Returns from customers, £491 14s. 4d. ; Sales during year, £8962 5s. 9d. ; Transfers from Dr. side of bought ledger, £9 4s. 1d. The balances due from debtors at Dec. 31, 1914, as extracted from the sales ledger, amounted to £1711 15s. 6d.

3. The A. Co. Ltd., is in voluntary liquidation. The paid up share capital consists of 5000 6% Preference Shares and 2500 Ordinary Shares, all of £1 each. The assets realised £9000. The unsecured creditors amounted to £2250, and the costs of realisation (including the liquidator's remuneration) were £500. The pref. shares are preferential as to capital. Show the Realisation A/c. **4.** What is a "Secret Reserve" ? Mention as many examples as you can of secret reserves that could be made by a joint stock bank.

5. Make out Return of James Watkins, showing his liability for income tax for 1915-16. His average profits for the years 1912, 1913, and 1914 have been agreed with the Surveyor at £450, £670, and £320 respectively. He owns the house in which he resides, which is assessed under Sch. A. at £50. There is a mortgage on the house at £400 at 4%. He holds £2000 Great Eastern Railway 4% Pref. Stock and £1000 India 3½% Stock.

6. A trustee in bankruptcy realised £2300 from the assets of the estate, the expenses of realisation (excluding the trustee's remuneration) being £85. The committee of inspection decided that the remuneration of the trustee be allowed at 5% on assets realised and 5% on the amount distributed in dividend. The unsecured creditors were £6000. Prepare an A/c. showing what dividend the unsecured creditors received.

PART II. The following is the T.B. of Maltkins, Ltd., at 31 Dec., 1914. The authorised capital is £100,000, divided into 10000 6% pref. shares of £5 each, of which 8500 are issued and fully paid, and 10000 ord. shares of £5 each, all of which are issued and £4 per share paid up thereon. Prepare a Trading A/c., P. & L. A/c., Appropriation A/c., and B/S. The **Stock** at 31 Dec., 1914, was :—Malt, £5441 8s. 5d. ; Barley, £1728 16s. 4d. Plant and Machinery is to be depreciated at 7½% per ann., and 10% is to be written off horses and wagons. A reserve for discount of 5% on the full amount of the debtors is to be made, and £150 provided as a reserve for doubtful debts. The articles of association provide that after payment of the pref. dividend the ordinary shareholders are to receive 5% (free of tax) on their holdings, and the balance of profit is to be appropriated as follows :—(*a*) 10% to the directors, as additional remuneration ; (*b*) 25% to reserve ; (*c*) the remainder as determined by the company in general meeting.

Dr. Balances—			
Freehold Land & Buildings	£56500	–	–
Plant and Machinery	3620	16	8
Horses and Wagons	481	3	4
Sundry Debtors	9882	6	8
Stocks :—1st Jan., 1914			
Malt	7644	12	9
Barley	1891	9	2
Wages	4381	18	3
Carriage and Freight Inwards	2072	6	4
Salaries & Commission	1782	9	1
Printing and Stationery	101	8	9
Discount allowed	2184	13	2
Horsekeep and Stable Expenses	271	7	6
Rates, Taxes & Insur.	172	8	5
Gas and Water	82	7	7
Repairs and Renewals	864	9	1
Bank Charges	271	16	3

Dr. Balances continued—			
Trade Expenses	£343	15	6
Coal and Coke	1741	7	2
Directors' Fees	250	–	–
Income Tax	422	1	10
Dividend on Pref. Shares for year ended 31 Dec., 1914 (less tax paid)	2353	8	9
Purchases :—			
Barley, &c.	71021	3	5
Goodwill, at cost to Co.	20000	–	–
Cash in hand	87	6	10
Cr. Balances—			
Preference Shares	42500	–	–
Ordinary Shares	40000	–	–
Reserve	4892	17	3
P.&L.A/c., 1 Jan., 1914	1680	11	9
Discount received	1624	12	9
Sales :—Malt	93052	1	5
Sundry Creditors	3692	16	2
Bank Overdraft	981	17	2

Answer.—*Gross Profit* £13210 16 3 ; *Net Profit* £5383 8 9 ; *Bal. c/f.* £1761 17 8 ; *Total B/S.* £96778 2 4.

PART III. The following balances were extracted from the books of the Swandale Bank, Ltd., on 31 Dec., 1914. Prepare therefrom a P. & L. A/c. for the half-year, and a B/S. on that date. £1500 is to be written off bank premises and a reserve of £7000 provided against depreciation of investments. Rebate on bills not due at 31 Dec., 1914, was £2842. Provide for the payment of a dividend of 15% free of tax.

Dr. Balances—		Cr. Balances—	
Salaries and Other Expenses	£26480	Int. charged to Customers	£50740
Bank Premises	41670	Discount charged on Bills Discounted (including rebate b/f. from 30 June, 1914)	14216
Bills Discounted	641264	Reserve	150000
Advances to Customers and other A/cs.	1780360	Capital :—50000 Shares of £10 each, £4 paid	200000
Investments :—Consols and other British Gov. Securities	561440	P. & L. A/c.—Balance 30 June, 1914	12693
Indian Gov. & Rly. Stocks	91590	Current Deposit and other A/cs.	3979363
Colonial Gov. Securities, Brit. Corp. Stocks & Brit. Rly. Debenture Stocks	168300	Liability of Customers for Acceptances	140284
Other Investments	1920	Interest on Investments	25416
Interest paid to Customers	14850		
Acceptances for Customers	140284		
Cash in hand and at B. of E.	762584		
Cash at call and short notice	341970		

Answer.—*P. & L. A/c. Bal. c/f.* £6177 ; *Total B/S.* £4529882.

LANCASHIRE & CHESHIRE INSTITUTES. (*Senior*, 1916.)

PART I. **1.** The X.Y. Co., Ltd., was incorporated on the 1st May, 1915, to take over an existing business as from the 1st Jan., 1915. The share cap., all fully paid, on 1st May, 1915, was £10000. The profit for the year ended 31st Dec., 1915, after providing for depreciation, &c., amounted to £1200. Show how you would propose to deal with this amount. **2.** What is the difference between "capital" and "revenue" expenditure ? State to which class the following belong :—Repairs to machinery ; preliminary expenses ; repairs to buildings, additions to machinery.

3. The net profit of A.B., who occupies his own premises, for 1914 was £2400 after charging A.B.'s salary £250, bad debts (actual) £75, income tax, Sch. "A" (at 1/8) £15, Sch. "D" £220, depreciation of plant £92, and bank int. on current a/c., £52. The surveyor allows 5% for wear and tear of plant valued at £1000, and has agreed the profits for 1912 and 1913 respectively at £2852 and £2460. Show on what amount tax under Sch. "D" would be payable for the year ended 5th Apl., 1916.

4. **Trading A/c.**

Dr.			Cr.		
To Stock—Goods	£2500		By Sales		£20000
Materials	600	£3100	„ Stock—Goods	£2000	
			Materials	700	2700
„ Purchases		8100			
„ Wages		7000			
„ Gross Profit		4500			
		£22700			£22700

From the above a/c. state :—(1) The cost of materials used ; (2) The percentage of gross profit on turnover ; (3) The cost price of the goods sold, and show how you arrive at your answer.

5. The Deacon Co., Ltd., have a paid-up cap. of £50000, divided into 50000 shares of £1 each. It is decided to pay a bonus out of reserve of 4s. per share, and at the same time to issue a further 10000 shares. Assuming that the new shares

were taken up by the shareholders in proportion to their holdings in the Co., and that the bonus was returned by the shareholders in payment thereof, draft the journal and cash book entries necessary to record these transactions. **6.** State shortly what you consider to be the advantages of the conversion of a private firm into a limited liability Co.

PART II. The Woollen Co., Ltd., has a called-up share cap. of £30000, divided into 15000 7% cum. pref. shares of £1 each, and 20000 £1 ord. shares, 15s. called up, part of an authorised cap. of £20000 shares of each class. Prepare Trading, P. & L. A/cs., and B/S., at 31st Dec., 1915, from the following T.B. Write depreciation at 2% per ann. off land and buildings, 5% off plant and machinery, 20% off cards, and 5% off fixtures and furniture. Reserve £300 for bad debts and 5% on total debtors for dis. Rates & insurance are prepaid £95. The directors are entitled to a further remuneration of 5% of the net profit before charging their remuneration, income tax, or deb. int. There is a contingent liability on bills discounted amounting to £520. The **stock** of finished goods at 31st Dec., 1915, was valued at £10261.

Dr. Balances—			
Land & Buildings ...	£9400	–	–
Plant & Machinery ..	6620	6	8
Cards	512	10	–
Fixtures & Furniture	268	–	–
Sundry Debtors	12151	10	–
Cash in hand	36	10	2
Materials consumed—			
Raw Wool	31247	18	4
Yarn	2712	6	–
Scribbling, scouring, & dyeing requisites	1271	3	–
Carriage on purchases	160	7	4
Productive wages	7622	7	10
Sales returns	371	12	–
Coal and Coke	1272	3	–
Rates and Insurance	392	6	6
Incidental Expenses	92	8	–
Salaries and Comm. ..	1296	10	–
Bank Int. and Charges	260	12	6

Dr. Balances continued—			
Bad Debts	£272	–	–
Directors' Remuneration	500	–	–
Income Tax	342	6	8
Discounts	1622	–	–
Bills Receivable.....	212	5	–
Stock of finished goods, 1st Jan., 1915	9761	15	–
Int. on debentures, less tax, to 30th June,1915	223	19	2
Goodwill	15000	–	–
Calls in arrear on ord.shs.	1500	–	–
Cr. Balances—			
Share Cap.	30000	–	–
Sundry Creditors	5376	12	9
Bank Overdraft	5133	6	8
P. & L. A/c. 1st Jan.,'15	2720	12	9
Sales	51892	5	–
5% Debentures	10000	–	–

Note.—Income tax on the debenture int. due 31st Dec., 1915, should be deducted at 3/3 in the £.

PART III. Jackson & Brown, equal partners, decided to convert their business into a Private Ltd. Co., as on 31st Dec., 1915, on which date their position was as follows :—Liabilities : Sundry Creditors, £3350 ; Loan on Mortgage, £3000 ; Jackson's Cap., £11000 ; Brown's Cap., £10000. Assets :—Cash at Bank, £1000 ; Sundry Debtors, £5000 ; Stock-in-trade, £7500 ; Motor Vans, £750 ; Machy. & Plant, £4600 ; Land & Buildings, £8500. The new Co. purchased the assets (exclusive of cash) for £24000, and also agreed to discharge the liabilities. The purchase price was payable as to £18000 in £1 shares and the bal. in cash. The partners took 9000 shares each, and cash to settle the amounts due to them. Show the journal and ledger entries necessary to close the books of the partnership.

MIDLAND COUNTIES UNION. (*Advanced*, 1906.)

PART I. From the following T.B. prepare Trading, P. & L. A/cs and B/S. of Messrs. H. Oakley and W. Denham, Harness Manufacturers, as on 31st Dec., 1905, sharing profits and losses equally. Allow interest on Partners' Capital at 5% per ann.; depreciate Machinery and Plant 7½%; Fixtures and Fittings 6%; provide for Bad and Doubtful Debts 5%, and for a half-year's int. on Mortgage at 5% per ann. to 31st Dec., 1905; carry 7½% of net profit (if any) to the Reserve Fund. **Stock**, £14725 2 6.

Dr. Balances—				**Dr. Balances** continued—			
Freehold Premises....	£13100	–	–	General Trade Exs. A/c.	£1040	17	2
Fixtures & Fittings A/c.	3600	–	–	Repairs A/c.	337	13	1
Wages A/c.	7930	1	4	H.O.'sDrawgs.(incl.int.)	1767	10	–
Machy. & Plant A/c.	6000	–	–	W.D.'s „ „	1482	10	–
Cash A/c.	472	14	7	**Cr. Balances—**			
Purchases A/c.	31038	10	7	H.O.Cap.A/c.(1Jan.,'05)	10000	–	–
Salaries A/c.	550	–	–	W.D. „ „	9000	–	–
StockA/c.(1Jan.,1905)	10910	5	5	Bills Payable A/c. ...	2402	8	2
Rates & Taxes A/c. ..	251	9	11	Mort. on Premises A/c.	4500	–	–
Office Expenses A/c.	104	5	3	Sundry Creditors	13802	18	4
Carriage A/c.	1066	2	9	Res. Fund (for conting)	1050	–	–
Insurance A/c.	191	11	4	Sales A/c.	45230	2	10
Sundry Debtors	8510	–	–	Banker's A/c.	2437	–	–
Int. on Mortgage A/c.	112	10	–	Int. & Discount A/c.	43	12	1

Answer.—*Gross Profit* £9010 5 3; *Net* £4311 10 7; *Total of B/S.* £45316 7 1.

PART II. *Five questions only are to be attempted.* **1.** What is the object of Cost A/cs.? State the two essentially different classes of such a/cs. **2.** What do you understand by the following :—B/E., B/P., P/N., N/P., B/R., Days of Grace? **3.** State the advantages that are derived by the Drawer and the Acceptor of a Bill. **4.** In what Book or Books would you enter the following transaction :—William Miller returned to you 5000 bricks which you had sold to him @ 18/- per M.? **5.** What abatements are allowed in assessing for the purpose of Income Tax, the income of (1) a private person, (2) a Joint Stock Company? **6.** What is a Bill of Lading? State as far as you can the details that appear thereon. **7.** What is the object of the London Bankers Clearing House?

MIDLAND COUNTIES UNION. (*Advanced*, 1907.)

PART I. Prepare Trading, P. & L. A/cs. and B/S. H. Shepherd and G. Elkington entered into co-partnership as Builders and Contractors on 1st Jan., 1906. Elkington's capital was £1000, Shepherd's was £4000. Profits or losses were to be shared equally, 5% was to be credited to each partner in respect of his cap. and 5% was to be charged on their respective drawings. Elkington was to be credited with £25 each quarter as salary for management. The following is the T.B. on 31st Dec., 1906. No interest had been charged either upon the capital or upon

drawings, nor had Elkington been credited with his salary. The **Stock** was £3750. The drawings of the partners had been as follows :—Shepherd, Feb. 1st, £50 ; April 1st, £100 ; June 1st, £50 ; Aug. 1st, £50 ; Oct. 1st, £100 ; Dec. 1st, £50. Elkington, Feb. 1st, £25 ; March 1st, £37 10 ; May 1st, £62 10 ; June 1st, £50 ; August 1st, £25 ; Sept. 1st, £37 10 ; Nov. 1st, £62 10 ; Dec. 1st, £50.

Dr. Balances—				**Dr. Balances** continued—			
Purchases	£3857	6	6	Plant and Tools	£1437	14	5
Cash	365	2	11	Shepherd's Drawings	400	–	–
Rents	525	7	6	Elkington's Drawings	350	–	–
Taxes & Insurance	224	12	6	Debtors	4657	8	6
General Charges	108	2	2	**Cr. Balances**—			
Buildings	2500	–	–	Sales	9756	10	7
Interest & Discount	250	3	7	Bills Payable	421	3	4
Salaries	457	10	–	Creditors	1062	7	1
Wages	1304	2	6	Bank	664	19	9
Carriage & Freight	255	4	7	Shepherd's Capital	4000	–	–
Repairs & Depreciation	212	5	7	Elkington's Capital	1000	–	–

Answer.—*Gross Profit* £8089 17 ; *Net* £5979 18 2.

PART II. *Five questions only are to be attempted. Answers are to be given briefly.* **1.** Give the primary divisions into which Ledger A/cs. are divided, when it is impossible to keep all the a/cs. in one Ledger. **2.** State the meaning of the following as applied to a Company : "Limited," "Unlimited," "Private," "Public," **3.** Define shortly :—"Sinking Fund," "Reserve Fund." **4.** Make out a Bill for £200 drawn on 6th Dec., 1906, by Hirons & Co., of Leicester, upon A. Jones, of Nottingham, and accepted by him. **5.** What are the essential points in drafting a B/E. ? **6.** What do you understand by the following :—"Underwriter," "Trustee," "Surety," "Proxy" ? **7.** Give the meaning of "Copyright." State the minimum and maximum duration of a Copyright, and also how it is registered.

MIDLAND COUNTIES UNION. (*Advanced*, 1909.)

PART I. G. Sykes and R. Simpson trade, on equal basis, as the Simplex Manufacturing Co. Prepare Trading, P. & L. A/c. and B/S. on 31st Dec., 1908. Interest at 5% on partners' Capital A/cs., ignoring Drawings. Transfer £75 from the Purchases A/c. and £115 from Wages A/c. to Additions to Plant ; Depreciate Plant A/c. 5% off balance and 25% off additions ; Furniture and Fittings A/c. 5% ; add to Leasehold Premises Redemption A/c. 2½% Interest on balance and Annual Instalment of £37 10 ; Reserve 5% for Bad and Doubtful Debts. Before dividing profits, J. Smith, the Works Manager, is to receive a bonus on the net profits of 2% up to £2500, and 1½% on any Profits over that amount. **Stock**, 31st Dec., 1908, £6378 12 6.

Dr. Balances—	£	s.	d.
G. Sykes, Drawings A/c.	1000	–	–
R. Simpson, Drawgs. A/c.	750	–	–
Leasehold Premises...	3270	10	6
Plant, Machy. & Tools, 1st Jan.....	6012	11	8
Do. additions during yr.	252	17	4
Furniture, Fittings and Fixtures	873	14	6
Cash A/c.	35	17	2
Lloyd's Bank Ltd., Current A/c.	1014	16	7
Bills Receivable A/c.	1173	16	2
Purchases	22753	14	8
Wages A/c., Producers	7642	12	9
Wages A/c., Non-prod.	1013	10	6
Discounts allowed ...	1975	14	6
Carriage & Freight ...	457	16	9
Sundry Trade Expenses	282	12	8
Gd. Rent, Rates & Taxes	472	16	9

Dr. Balances continued—	£	s.	d.
Coal, Gas & Water, Works A/c.	522	19	7
Do., Office A/c.	89	17	1
Bank Charges	54	13	9
Debtors	9872	12	6
Repairs to Plant	63	18	10
Stock A/c., 1st Jan., 1908	5274	16	10
Cr. Balances—			
G. Sykes, Cap. 1 Jan., '08	8500	–	–
R. Simpson, Cap., 1st Jan., 1908.....	6444	1	–
Leasehold Premises Redemption A/c.	675	–	–
Bills Payable A/c. ...	4573	19	10
Sales	38350	2	6
Discounts received ...	1162	8	10
Creditors	5003	16	2
Bad Debts A/c.	152	12	9

Answer.—*Gross Profit* £8266 14 5; *Net* £3878 7 2; *Smith's Bonus* £70 13 6; *Total B/S.* £28126 15 8.

PART II. **1.** What are the rights and privileges of the holders of Mortgage Debentures, Cumulative Preference Shares, Deferred Shares? **2.** T. Brown purchased a second-hand Lathe for £25 which he used for some time; but subsequently purchased a more modern Lathe from Sagar & Co., for £65, they agreeing to take the old Lathe in part payment; allowing for same £35. Show these entries in T. Brown's A/cs. **3.** How should a manufacturer arrange his Trading A/c. having regard to the checking of his Cost A/cs.? **4.** Thompson & Co., of Canada, instruct P. Brown, of London, to draw upon them at sight in payment of a/c. £57 10. Give the form of the bill and describe how P. Brown would proceed to collect the same. **5.** Explain the meaning of Receiver, Liquidator, Trustee, Deed of Assignment. **6.** A firm keeps five Sales Ledgers. What rulings would be necessary in the Cash Book, Sales Day Books and Returns Book to enable them to have each Ledger separately balanced, and what items would need journalising to enable this to be systematically carried out? **7.** The Reserve Fund of a Limited Company is invested in Consols, the market price of which varies from time to time; how would these fluctuations be dealt with in preparing their B/S.?

MIDLAND COUNTIES UNION. (*Advanced*, 1910.)

PART I. Prepare Trading, P. & L. A/cs. and B/S. of the Highburn Manufacturing Co., Ltd., from the following T.B. on 30th June, 1909. Nominal Capital 40000 Ordy. Shares of £1 each. Depreciate Machinery & Plant 10%, Fixtures and Fittings 10%. Make up Reserve for Bad Debts to 7½% of the Book Debts. Insurances are paid in advance to the extent of £96. **Stock,** 30th June, 1909, £6900.

Dr. Balances—		Dr. Balances continued—	
Calls in arrear	£205	Fixtures & Fittings	£3750
Stock, 1/7/08	6537	Sundry Debtors	12160
Purchases	22448	Interest paid on Debentures	214
Returns from Customers	1174	Dividend paid (Aug., 1908)	1415
General Trade Expenses	1014	Cash in hand	43
Wages	13632	Balance at Bank	1427
Salaries	2042	**Cr. Balances—**	
Travelling Expenses	758	40000 Ordy. Shares,15/-called	30000
Advertising	870	100 Debentures, 4½% @ £50	5000
Rents, Rates, Taxes & Insce.	858	Returns to Creditors	1745
Discounts	314	Sales	46728
Bank Interest & Commission	114	Sundry Creditors	7728
Bad Debts written off	249	Reserve Fund	5000
Premises	12450	Reserve for Bad Debts, 1/7/08	760
Machinery & Plant	18750	Balance of P. & L. A/c., 1/7/08	3463

Answer.—*Gross* £11582 ; *Net* £2843 ; *Total B/S.* £52414.

PART II. **1.** Explain : Agio, Allonge, General Average, York-Antwerp Rules. **2.** Why are Foreign B/E. made out in sets ? Are they always made out so ? Write out a Second of Exchange, drawn by Chas. Carr, of London, on Kishen Lall, of Baroda, 60 D/S. for £175, and convert into Rupees at 1/4. **3.** Name some preferential debts allowed to be paid before distribution of the estate of a bankrupt. **4.** What are Exchequer Bills ? **5.** In the case of the death of a Shareholder what would you require before paying any dividends on account of the holding ? **6.** Draw up a Return for Income Tax Assessment from your result of Part I., assuming that the assessments in the two previous years were : 1907, £2100 and 1908, £1760 respectively. The following are included in the charges : £35, chief rent in rents, rates, &c. ; gifts to the value of £50 in the general expenses ; and the Assessor will only allow depreciation on the machinery at the rate of 7½% ; Income Tax paid and included with rents, rates, &c., a/c., £88. Show what the assessment will be for 1909.

MIDLAND COUNTIES UNION. (*Advanced*, 1911.)

PART I. Henry Moore, trading as Moore & Co., decided to convert his business into a private limited company. On the 31st Dec., 1909, his B/S. was as follows :—

Bank Overdraft	£427	4	2	Petty cash in hand	£55	14	8
Sundry Creditors	2475	10	–	Sundry Debtors	4310	7	6
Parkes (Loan)	1000	–	–	Premises	3500	–	–
Capital	10300	–	–	Machinery & Plant	856	15	–
				Fixtures & Fittings	279	17	–
				Blackmore Co. Shares,100 fully paid £10 at par	1000	–	–
				Stock	4200	–	–

Under an agreement dated 31st Dec., 1909, Henry Moore was to be credited with interest at the rate of 5% per ann. on the above capital from that date to the date of Registration. It was also agreed that the Vendor should retain the £1000 Blackmore & Co. Shares, and in addition receive £11000 in fully paid £5 Ordy. Shares when the Company was floated ; the difference £1700 being considered as Goodwill, the latter to be extinguished

at the rate of £250 per ann. The Company which was to take over all other Liabilities and Assets was registered as Moore & Co., Ltd., on the 31st March, 1910, with a capital of £30000, divided into 4000 Ordy. Shares of £5 each, and 2000 5% Pref. Shares of £5 each. In addition to the Vendor's Shares there was an issue of 900 Ordy. and 1000 Pref., and 10s. per share was paid, the amount having been paid to the company's bankers. The transactions were :—

Purchases	£5470	17	4	Formation Expenses paid	£117	10	–
Sales	11975	6	8	Wages & Salaries paid ..	4065	18	6
Inward returns	428	5	5	Int. on loan to 30th June paid (less tax 1/- in £)	19	–	–
Outward returns	114	7	9	General expenses paid ..	475	7	7
Discounts alld.customers	317	7	4	Rents, Rates & Taxes paid	329	14	–
Discounts allowed by crs.	148	9	7	Repairs to property paid	117	–	–
Bad Debts written off	145	14	4	Repairs to Machinery paid	56	11	3
Cash paid by customers	8420	17	4	Drew from Bank for Petty Cash	260	–	–
Cash paid to creditors	6453	11	1	Paid sundry petty cash exs.	289	15	1
B/R.recd.from customers	1420	–	–	STOCK, 31st Dec., 1910	5040	–	–
B/R. paid to Bank and collected	846	10	–				
Bank charges on Bills	26	4	–				

Prepare T.B., Trading and P. & L. A/cs. and B/S., making the following adjustments in addition to any previously indicated :—Depreciate Machinery and Fixtures 5% each. Reserve 5% on Book Debts for Bad and Doubtful Debts.

Answer.—*Total Trial Balance* £28696 11 2 ; *Gross Profit* £2964 13 2 ; *Net Profit* £604 4 1 ; *Total of B/S.* £17062 11 3.

PART II. **1.** Comment on the Balance Sheet of Blank Cotton Co., Ltd., given below. **2.** Explain Del credere, Cheque Bank, and Documentary Bills. **3.** How does a Statement of Affairs differ from a Balance Sheet ; when is the former generally prepared ? **4.** What is the "Double Account System," and what objections are there to it ? **5.** What do you understand by : Course of Exchange, Arbitration of Exchange, and Hypothecation ? **6.** What are Consols, and how are their values ascertained and controlled ?

Balance Sheet of the **Blank Cotton Co., Ltd.,** on 30th June, 1906.

Capital & Liabilities.				**Property & Assets.**			
To Capital—				By Buildings, Engines,			
16000 Shares at £10	£160000	–	–	Boilers, Materials,			
Mortgage Debentures	70000	–	–	and Utensils £190470			
A/cs. owing by Co.	29086	18	3	Outlay during half-year ...	3500	193970	– –
Reserve Fund	89000	–	–				
Profit & Loss A/c. :—				By Stock, Cotton, Yarn			
Balance at 29th Dec., 1905 ...£11085				and Stores	111427	–	–
Less Dividend pd. Jan., 1906 7000				By A/cs. owing to Co.	48420	17	4
	4085			Cash at Bank	5854	–	11
Balance from Revenue A/c.	7500	11585	– –				
	£359671	18	3		£359671	18	3

MIDLAND COUNTIES UNION. (*Advanced*, 1912.)

PART I. The Welsh Manufacturing Co., Ltd., closed its books on the 31st Dec., 1911, with the following balances. Prepare T.B., Trading A/c., P. & L. A/c. and B/S. as at 31st Dec., 1911. **Stock,** 31st Dec., 1911 :—Materials £10743 ; Finished Goods £19430 ; Sundries £340. Adjustments : Depreciate Plant & Machy. & Fittings 10% each ; Premises 2%. Insurance paid in advance £93. Keep the Bad Debts Res. at £500. Comment upon the B/S. as to whether you consider the Co. is in a healthy state, and give suggestions regarding the various items of expenditure, &c. Would you recommend a Dividend ; if so, how much ?

Dr. Balances—	
Stocks, 1st Jan., 1911 :—	
Materials	£6420
Finished Goods	9400
Sundries	530
Materials purchased	38000
Coal & Coke used	1460
Rent, Rates & Taxes	987
Sundries purchased (less returns)	580
Repairs to Machinery	444
Wages	15500
Salaries	3400
Insurance	335
Fittings & Fixtures	650
Returns Inwards	1740
Discount A/c. (Dr. Bal.)	448
Sundry Debtors	4300

Dr. Balances continued—	
Plant & Machinery	£11750
General Expenses	2007
Premises	10000
Travelling & Exhibition Exs.	948
Bad Debts	542
Bills Receivable	735
Dividend paid, Jan., 1911	1800
Cr. Balances—	
60,000 Shs. £1 each, 12/- paid	36000
Due to Ystwyth Banking Co.	2478
Sales	56800
Sundry Creditors	2870
Bad Debts Reserve	500
Reserve Fund	10000
Bills Payable	940
P. & L. A/c., 31st Dec., 1910	2388

Answer.—*Gross Profit* £15143 ; *Net* £3225 ; *Bal. for Distribution* £3813 ; *Total B/S.* £56101.

PART II. **1.** Explain how you would deal with the following, which may occur at the termination of the financial year :—(*a*) Goods in transit to your firm, carriage forward, prior to, but which would not be received until after the date of the financial year closing ; (*b*) Goods sent away by you on the day prior to the last day of the financial year, and being refused by consignee. **2.** What system would you recommend in dealing with the stocks of an engineering firm, say, so as to prevent stoppages of work through shortages ? **3.** What is Sectional Balancing ? Explain its advantages. **4.** Give the stamp duty necessary for Bills of Exchange, both Inland and Foreign. **5.** What is an Account Current ? Give an example, setting out six items on each side, G. Green being indebted to F. Topper. **6.** Give examples of errors which may occur in the books of account that the T.B. will not reveal.

MIDLAND COUNTIES UNION. (*Advanced*, 1913.)

PART I. The following particulars were revealed by abstracts taken from the books of the Central Manufacturing Co., Ltd., on 31st Dec., 1912. The Share Capital consisted of £18,000, being 10/- paid on each of 24,000 Ordy. Shares, and 12,000 6% Preference Shares of £1 per share. Prepare a T.B., Trading and P.

& L. A/cs., and B/S. as at 31st Dec., 1912. Adjustments :— Depreciate Machy., with the exception of Additions 10% ; Fittings and Furniture 10% ; Create a Res. for Bad and Doubtful Debts on Book Debts of 5% ; £97 of the Rates & Taxes have been paid in advance. The Balances on 1st Jan., 1912, were :—

Capital	£18000	–	–	Paid by Debtors	£42423	9	–
Cash at Bank	3148	10	9	Additions to Machy. & Plant, paid	754	–	–
Cash in hand, for Petty Expenses	23	17	4	Travelling Exs. & Commission, paid	1723	14	–
Machinery & Plant	2488	–	–	Repairs	326	10	–
Fittings & Furniture	580	–	–	Rents, Rates, Taxes & Insurance	954	18	–
Bills Receivable	1729	10	9	Wages	18472	10	–
Mortgage	3000	–	–	Salaries	5355	–	–
Property	18500	–	–	General Trade Expenses	1223	–	–
Reserve Fund	7000	–	–	Int. on Mortgage pd. to date	113	–	–
Sundry Debtors	2750	17	–	Bad Debts written off	95	19	–
Sundry Creditors	1458	18	4	Bank Charges	113	7	–
Bills Payable	875	17	6	Drawn from Bank for Petty Cash Expenses	345	–	–
Stock, 1st Jan., 1912	3614	–	–	Dividend paid 31st January, 1912	904	–	–
Balance of P. & L. A/c.	2500	–	–	Petty Cash Expenses actually paid	337	15	–
Purchases during year	17420	9	–	Discounts allowed	874	5	–
Sales during year	48007	15	–	Discounts received	705	8	–
Outward Returns	327	8	–	**Stock,** 31st Dec., 1912	5122	–	–
Inward Returns	577	16	–				
B/R.recd.fromCustomers	2740	17	–				
B/P. given to creditors	2408	14	–				
B/R. collected by Bank	2970	15	–				
B/P. paid by Bank	1770	–	–				
Paid to Creditors	13065	10	–				

Answer.—*Total T.B.* £83427 9 10 ; *Gross Profit* £13372 8 – ; *Net Profit* £2548 5 8 ; *Total of B/S.* £36031 4 6.

PART II. **1.** Assuming you were required to make out a return for Income Tax from the result of Part I., state what items would be disallowed, assuming that in the A/cs. £47 had been paid under Sch. A, and £170 under Sch. D. ; and that Donations to the amount of £25 had been included in the General Expenses. **2.** Explain how you would deal with goods sent on Consignment, and on the Hire Purchase System. **3.** Explain the difference between a Company Limited by Shares, and an Unlimited Company. What advantages, if any, are there in the case of both ? **4.** What is the difference between Prime Cost and Cost of Production ? Illustrate your answer by a few figures. **5.** What steps are necessary before a private firm can become incorporated as a Limited Company ? **6.** What is the difference between a Statement of Affairs and Deficiency A/c. ? Give a sample of the latter, in brief.

MIDLAND COUNTIES UNION. (*Advanced,* 1915.)

PART I. The Khaki Cloth Manufacturing Co., Ltd., has a Nominal Cap. of £30000, divided into 20000 Ordinary Shares of £1 each, and 10000 6% Pref. Shares of £1 each. Below is set out the T.B. for the year ended 31 Dec., 1914. Prepare Trading A/c., P. & L. A/c., and B/S., after making the necessary adjustments. The various divisions of the final a/cs. are to show : (*a*) Gross Profit ; (*b*) Profit on trading ; (*c*) Net profit. The adjustments are :—(*a*) Wages owing, £61 ; (*b*) Rates and

Insurance prepaid, £38 ; (*c*) Reserve 2½% of the Book Debts for Bad Debts ; (*d*) Depreciate—Plant and Machinery at 7½% per ann.—on additions for six months only ; Leasehold Property at 2½% ; Freehold Property at 1%. The **Stocks** on hand, in addition to yarn, are :—(*a*) Piece goods, £4896 ; (*b*) Work in progress, £1926 ; (*c*) Wool, Mungo, &c., £824 ; (*d*) Packing Cases £25 ; (*e*) Mill Furnishings, £271 1s. 6d. ; (*f*) Coal, £12 12s. 11d. The Preliminary Expenses are being written off in three equal annual instalments, the first at the end of 1913.

Dr. Balances—			
Freehold Property	£5000	–	–
Leasehold Property, Ground Rent £50 p.a.	7000	–	–
Stock of Piece Goods, 1/1/14	5239	10	4
Work in Progress, 1/1/14	1769	2	2
Stock of Wool, Mungo, &c., 1/1/14	769	4	3
Manufacturing Wages	4271	18	3
Purchases of Wool, Mungo, &c.....	7470	17	6
Rates, Taxes, Gas, Water and Insurance	627	7	3
Carriage on Sales.....	177	19	8
Outwork	991	9	5
14 Shares of £10 each in Box & Cox, Ltd., at cost	140	–	–
Ground Rent	50	–	–
Preference Dividend ..	150	–	–
Yarn used in manufacture	2004	18	2
Yarn in stock, 31 Dec., 1914.....	764	–	–
Returns Inwards	126	1	6
Sundry Debtors	2683	7	5
Plant and Machinery ..	5197	9	–
Additions to Plant and Machinery	55	–	–
Discount on Sales	471	6	3
Mill Furnishings	526	15	3

Dr. Balances continued—			
Warehouse and Office Salaries	£275	4	–
Motive Power, Coal, Oil	660	–	–
Interest on Loan	40	–	–
Bad Debts written off	40	–	–
Purchases of Packing Cases, includg. stock of cases on 1 Jan., 1914	225	–	–
Travelling & Incidental Expenses	240	–	–
Preliminary Expenses	500	–	–
Goodwill	1500	–	–
Cr. Balances—			
Rents received from Leasehold Property	326	17	4
Sales	20681	12	6
Wool and Mungo returned to Creditors	134	17	9
Discount on Purchases	423	7	10
Sundry Creditors	4303	8	10
Ord. Share Cap. 15000 Shs.	15000	–	–
Pref. Share Cap. 5000 6% Shares	5000	–	–
Loan from John Greenwood at 4%, obtained 1 July, 1914	2000	–	–
Dividends on Invests.	16	2	–
Bank	80	4	2
P. & L. A/c., 1 Jan., 1914	1000	–	–

PART II. **1.** Robert Robins and Dick Turpin are in partnership as Wool Merchants, their respective capitals on 1 Jan., 1915, being £4780 and £3610. It is arranged that Robins is to introduce his son-in-law, William Booth (who is also in business as a Wool Merchant on his own account) as a partner, and that the three partners shall all be placed on an equal footing in the new partnership by the following arrangement :—(*a*) The business of Booth is to be taken over by the new firm at a valuation, which comes out as follows :—Stock, £1200 ; Office Furniture, £40 ; Freehold premises, £1410 ; (*b*) Robins is to transfer to his son-in-law a sufficient amount from his Capital A/c. to make the son-in-law's Cap. equal to that of Turpin ; (*c*) Turpin and Booth are to give to Robins cheques on their private a/cs. to make all the Capitals equal. Prepare the Capital A/cs. of the three partners showing the entries therein necessary to carry this out.

2. The Balance Sheet of John Ffrench on 31st March, 1915, stands as follows :—Sundry Creditors, £4690 ; Capital A/c., £5550 ; Cash, £124 ; Bank, £869 ; Sundry Debtors, £7247 ; Plant and Machinery, £2000. A limited company is formed to

take over the business in its entirety, including the Cash and Bank balances. The amount to be paid to Ffrench is agreed at £6000, to be discharged :—(*a*) As to £1000 by the issue of Debentures ; (*b*) As to £2 in cash ; and (*c*) As to the balance by the issue of 476 fully paid Ord. Shares of £10 each at a premium of 10/- per share. The Nominal Cap. of the Co. is £25000 divided into 2500 Ord. Shares of £10 each, and of these 1000 are offered to the public for subscription on the terms that 30/- per Share is payable on application, which is to include a premium of 10/- per Share, and £1 per share is payable on allotment. The Balance is callable at any time at the discretion of the Directors. The whole of the Shares offered are applied for on April 20th, and allotted on May 10th, and the sale by Ffrench is carried out on May 1st. Give the Journal and Cash Book entries to carry through the transactions up to allotment.

PART III. **1.** How would you deal with the following in the financial books of a firm :—(*a*) Cost of Issue of Debentures, which have been issued at a premium ; (*b*) The loss sustained by issuing Debentures at a discount ; (*c*) The dividend on 6% Cumulative Pref. Shares where there is a debit balance on the P. & L. A/c. **2.** Give an example, containing five entries, of a Customer's A/c. in the ledger of a Banker, showing the usual columns including one for daily balances.

3. What is meant by (*a*) A quorum ; (*b*) Gilt Edged Securities ; (*c*) Circular Notes ? **4.** Dividends are usually paid to Shareholders less tax. State how you would organise the preparation of the Dividend Warrants, what books you would use, and illustrate how you would pass the payment of the Dividend through the books, and what you would do in regard to the tax deducted. Journal entries will be sufficient for the illustrations.

Note.—Answer as follows :—

4. A Dividend Book would be required, ruled with the following columns :—Date ; Name of Shareholder ; Fo. of Share Ledger ; No. of Shares ; Amount of Dividend ; Amount of Tax deducted ; Net amount for Dividend Warrant. The Cheques or Warrants should be made out from a separate book than that used for ordinary A/cs. The following are the Journal entries of the Totals :—

Net Profit Account ..... Dr.
    To Dividend A/c. .....
For the Gross amount of the Dividends.
Dividend A/c. ..... Dr.
    To Bank .....
For the total amounts of the cheques or Dividend Warrants.
Dividend Account ..... Dr.
    To Income Tax A/c. .....
For the total amount deducted for Tax.

INSTITUTE of SECRETARIES. (*June*, 1905.)

Intermediate candidates should answer the first ten and Final candidates the last ten questions.

1. State shortly the advantages of double entry over single entry book-keeping. **2.** What is a Journal ? State what classes of transactions are not now usually journalised, and the advantages of this course. **3.** Give an example of a Bill for £80, drawn at four months on the 1st Jan., 1905, by James Williams on Robinson and Co., and accepted by the latter, payable at Lloyd's Bank, Ltd. What stamp does this bill require and when is it due for payment ? **4.** Assuming that the Bill referred to in the previous question is dishonoured at maturity, what entries should be made in the books of the drawer and acceptors, respectively ? **5.** What is a Trial Balance ? Can a T.B. itself ever have a balance ? If so, what does it mean ? **6.** Explain the difference between Gross and Net Profit.

7. From the books of A, which have been kept by single entry, and from other sources, it appears that his position on the 31st Dec., 1904, was as follows :—Book Debts £7000, Cash in hand £10, Stock-in-Trade £3000, Furniture, Fixtures and Fittings £500, Trade Creditors £2500, Bank Overdraft £1000. A had commenced business on the 1st Jan., 1904, with a Capital of £3000, and during the twelve months had drawn out £600. Prepare a statement showing A's profit for the year 1904, after allowing for depreciation, &c., at 10% per ann. (*Profit* £4560.)

8. From the following T.B., prepare Trading, P. & L. A/cs. and B/S. of the London Electro-Plate Co., Ltd., on 31st Dec., 1904. **Stock** £15000. Nominal Capital £100000 in Shares of £1 each. Depreciate Plant and Machinery 7½% per ann. Provide a further sum of £120 to cover Bad and Doubtful Debts.

Dr. Balances—		**Dr. Balances** continued—	
Freehold Land & Buildings..	£40000	Cash in hand	£20
Machinery & Plant	30000	Bad Debts	180
Stock on 1st January, 1904..	18000	Returns & Allowances	3000
Materials Purchased	24000	Patents	11350
Wages	10000		
Office Salaries & Expenses ..	3000	**Cr. Balances**—	
Fuel & Motive Power	1200	Subscribed Cap. (fully paid)..	75000
Rates & Taxes	500	5% Debentures (issued 1st July, 1904)	20000
Discounts	750	Trade Creditors	3000
Bank	3000	Sales	54000
Book Debts	7000		

Answer.—*Gross Profit* £14000 ; *Net* £5500 ; *Total B/S.* £104000.

9. What do you understand by " Goodwill " ? and how would you deal with this item in the successive Balance Sheets of a manufacturing company ? **10.** How should Premiums received on the issue of the Capital of a limited company be dealt with in the books ? Give your reasons. **11.** On the 31st Dec., 1904, A, B, and C dissolved partnership and on the adjustment of a/cs. it appears that A's Capital A/c. shows a credit balance of £3000, B's a credit balance of £1000, while C's Capital A/c. is overdrawn to the extent of £500. The balance to the credit of the

firm at the bank is £3500. C is adjudicated bankrupt, and nothing can be recovered from his estate. How should the bal. at bank be divided between A and B ?

12. State as fully as you can the difference between :—(*a*) Depreciation. (*b*) Maintenance. (*c*) Sinking Fund. **13.** State shortly the respective advantages and disadvantages, under varying circumstances, of (*a*) Card Ledgers. (*b*) Loose Leaf Ledgers, as compared with ordinary bound Ledgers. **14.** State fully how you would deal in the books of a company with payments made to the Commissioners of Inland Revenue in respect of Income Tax under Schedule " D," and with deductions made from Debenture Interest and dividends to shareholders in respect of Income Tax.

INSTITUTE of SECRETARIES. (*December*, 1905.)

1. What do you understand by the signs " Dr." and " Cr." ? **2.** Distinguish between Real, Personal, and Nominal A/cs. Give one example (each) of a transaction affecting (*a*) only Real A/cs., (*b*) only Personal A/cs., (*c*) only Nominal A/cs., (*d*) all three classes of A/cs.

3. Prepare Trading, P. & L. A/cs. and B/S. on 31st Dec., 1904. **Stock,** £1000. Depreciate Fixtures and Fittings at 10% per ann. and divide the Net Profit in the proportions of three-fourths to A, and one-fourth to B.

Dr. Balances—		**Dr. Balances** continued—	
A. Drawing A/c.	£500	Salaries	£250
B. „ „	300	Stock, 1st January, 1904	700
Fixtures & Fittings	500		
Bills Receivable	400	**Cr. Balances**—	
General Expenses	200	A. Capital A/c.	3000
Purchases	4000	B. „ „	1000
Rent	150	Sundry Creditors	2000
Sundry Debtors	3400	Sales	4400

Ans.—*Gross* £700 ; *Net* £50 ; *Cap. of A.* £2537 10 ; *B.* £712 10.

4. Taking the T.B. given in the previous question state to what class of Ledger A/c. each item belongs, and the exact meaning of each balance. **5.** On completing the P. & L. A/c. from a set of books you find that the result of the year's operations is a loss of £1000. How would you deal with this item in the case of (*a*) a company, (*b*) a partnership, (*c*) an individual ? **6.** Explain exactly what you understand to be the meaning of the credit balance appearing on the Capital A/c. of (*a*) a company, (*b*) an individual. **7.** Define " Gross Profit." State what a/c. shows the gross profit of a business, and what is the object of ascertaining it. **8.** On the 5th Nov., 1904, A. sold goods to B. to the value of £105, drawing upon B. at three months for the amount. On the 15th Nov. he discounted the Bill with the London and County Bank, who charged him £1 10s. On the 3rd Feb., 1905, A. having ascertained that B. would not be able to meet the bill, forwarded him cheque for £50 and with this assistance upon the part of A. the bill was duly met at

maturity. Show in the form of Journal entries how these transactions should be recorded in the books of B. **9.** Taking the facts stated in the previous question, show the a/cs. in the Ledger of A. which are affected by these transactions. **10.** If you were asked to verify the balance at Bank shown by a Cash Book, and agree it with the Balance shown by the Bank Pass Book, how would you proceed ? **11.** State exactly what you understand by a Sinking Fund. With what object is it created, and how is that object effected ? **12.** A Company offers for subscription 250000 shares of £1 each at a premium of 2s. 6d. per share, payable 5s. on application, 7s. 6d. on allotment, and the balance one month after allotment. Explain how you would deal with the various applications as received, and what records you would keep of the transactions between the Company, and each separate applicant up to the time of opening the share ledger. Give "pro forma" rulings of any special books that would be required. **13.** In response to the offer referred to in the above question, applications were received on 1st Oct., 1906, for 300000 shares. The Company went to allotment on the following day, when applications for 10000 shares were declined and the deposits received on application returned, applicants for 80000 shares received only half the amount of their respective applications, and the excess of their deposits was applied towards payment of the amount due on allotment. The remainder of the applications were allotted in full. Show the Journal entries to record above, including the Cash items.

14. From the Trial Balance of the Manchester Manufacturing Co., Ltd., for the half year ended 30th June, 1905, prepare Trading, P. & L. A/cs., and B/S. **Stock,** £15000. Depreciate Plant and Machinery 10% per ann., Business Premises 2½% per ann. Add £150 to Reserve for Doubtful Debts.

Dr. Balances—		**Dr. Balances** continued—	
Calls in Arrear	£250	Bad Debts	£270
Stock, 1st Jan., 1905	14500	Salaries	1200
Plant and Machinery	4300	Directors' Fees	1000
Trade Debtors	20000	Business Premises	26000
Bills Receivable	4800	Auditors' Fee	50
Cash in hand	25	**Cr. Balances—**	
Cash at Bank	5600	Cap. A/c. (50000 Shs. of £1 ea.)	50000
Carriage	550	Trade Creditors	9600
Travellers' Commission	300	Bills Payable	500
General Expenses	350	Reserve for Doubtful Debts	50
Rates & Taxes	480	Reserve Fund	10000
Purchases	42000	Sales	65000
Wages	12500	Discounts	500
Discounts	1500	Transfer Fees	25

Ans.—*Gross Profit* £10450 ; *Net* £5135 ; *Total B/S.* £74985.

INSTITUTE of SECRETARIES. (*June*, 1906.)

1. Explain as clearly as you can why it is that the total of the entries on the debit side of a Ledger kept by double entry equals the total of the credit entries. **2.** Assuming that a set of

books have been correctly entered up to date what is the meaning of each of the following balances ? (*a*) Bad Debts, Dr. £46 10. (*b*) Discounts and Allowances, Dr. £120 10. (*c*) Returns Cr. £16 5. (*d*) Bank, Cr. £532. **3.** Upon which side of what Ledger A/c. would you look for information upon each of the following items ? (*a*) Rent of Business Premises paid in advance. (*b*) Amount reserved for Bad and Doubtful Debts. (*c*) Bills Receivable discounted.

4. From the following T.B. prepare Trading, P. & L. A/cs. and B/S. of A.B. on 31st Mar., 1906. **Stock,** £4000.

Dr. Balances—		**Cr. Balances—**	
Stock, 1st April, 1905	£5000	Sales	£34000
Purchases	25000	Discounts	800
Salaries	4000	Sundry Creditors	5000
Sundry Debtors	12000	Bills Payable	3000
A.B. Drawings	2000	Bank	3000
General Expenses	1200	A.B. Capital A/c.	5400
Bills Receivable	2000		

Answer.—*Gross Profit* £8000 ; *Net* £3600 ; *Total B/S.* £18000.

5. On the 1st Jan., 1906, A drew upon B for £1000 at three months and B accepted the bill on the following day. On the 1st Feb. A discounted this bill with his bankers, who charged him 5% per ann. for the accommodation. The bill was duly met at maturity. Show, in Journal form, the proper entries in the books of A. **6.** A received from B on consignment 600 barrels of flour at 20s. per barrel. He paid freight £25, insurance £5, and storage £5. He sold 300 barrels at 26s. and the remainder at 25s., and charged B a commission of 2½% on such sales. You are required to show how the above transactions would appear in the Books of A. **7.** Taking the facts stated in the preceding question, you are required to show how the transactions would appear in the books of B assuming that the a/c. is settled by A forwarding to B a bill drawn on C at three months, which is duly accepted and met at maturity. **8.** Sometimes provision is made for depreciation of Plant by writing off a fixed proportion of the original cost in each year, and sometimes by writing off in each year a fixed percentage of the balance of the a/c. as it stood at the commencement of that year. Supposing that it is desired to write Machinery which cost £1000 down to (say) £600 at the end of the fifth year, state the amount that would be charged against each year's profits under each of these two systems. **9.** How is it that "Capital A/c." appears as a liability upon a Balance Sheet ? **10.** On the 1st May, 1906, A and B, who had previously carried on business apart, join in partnership. Show, in Journal form, the entries necessary to open the books of the new firm, supplying imaginary details.

11. Prepare Trading, P. & L. A/cs. and B/S. of the X Colliery Co., Ltd., on 31st Dec., 1905. **Stock,** £2500.

Dr. Balances—	
Stock on hand, 1st Jan., 1905	£1200
Leasehold Colliery, Plant, Machinery	400000
New Works Expenditure	180000
Trade Debtors	80000
Bills Receivable	15000
Bank	24000
Stores & Materials in hand, 31st Dec., 1905	3500
Interim Div. paid 1 Aug., '05	30000
Wages	250000
Rents & Royalties	50000
Stores, &c., consumed	60000
Horses	6000
Dr. Balances continued—	
Horsekeep & Maintenance	£7500
Wagon Hire, Freight and Carriage	40000
Discounts	12500
Salaries	4000
Directors' Fees	2000
General Office Expenses	3000
Rates, Taxes & Insurance	7500
Cr. Balances—	
Cap. 500000 Shares of £1 each	500000
Reserve Fund	100000
Profit & Loss A/c.	5000
Sales	500000
Sundry Creditors	71200

Answer. *Gross Profit* £191300; *Net* £64800; *Total B/S.* £711000.

12. Re-draft the B/S. of the X Co. referred to in the preceding question, showing how it should appear if framed on the double-account system. **13.** How would you deal with the expenditure upon the acquisition of patents in successive B/S.'s of an ordinary manufacturing Company? **14.** What is the difference between a Reserve and a Reserve Fund, and when is it desirable that each should be represented by investments outside the business?

INSTITUTE of SECRETARIES. (*December*, 1906.)

1. How many kinds of books are there? Name them. **2.** Give a pro formâ example of a Cash Book having columns for Discount, Office Cash, and Bank. Insert six typical entries on each side, rule off the book, and bring down the balances. **3.** Upon which side of what Ledger A/c. does the balance fall which indicates (*a*) the amount of the bank overdraft, (*b*) the amount of bills payable standing, (*c*) the amount of the undivided profits of a company. **4.** Record the following transactions in a Journal:—Jan. 1, Sold goods to A. £100; 5th, Received from B. & Co. their bill for Law costs, £50; 8th, Received acceptance from A. for £100; 20th, Paid B. & Co., by cheque £48 in settlement of their a/c. **5.** Distinguish between Trade Discount and Cash Discount, and state how each should be dealt with in the books of a commercial business. **6.** Give the pro formâ ruling of a book suitable for recording the subscriptions received by (*a*) a club; or (*b*) a charitable institution.

7. What is Goodwill? How should the amount paid therefor be dealt with in the successive B/S. of (*a*) an individual trader alone, (*b*) a partnership, (*c*) a limited company?

8. Prepare Trading, P. & L. A/cs., and B/S. of John Welbeck & Co., Ltd., Manufacturers, on 31st Dec., 1905. **Stock,** £18750. Depreciate Patents 10% per ann., Machinery & Plant 10% per ann., Loose Tools 7½% per ann. Reserve £150 for Doubtful Debts.

Dr. Balances—	
Freehold Land & Buildings	£40000
Machinery & Plant	48000
Loose Tools	5000
Stock, 1st Jan., 1905	17500
Materials Bought	23750
Wages	9000
Office Salaries & Travellers	2500
Coal & Coke	1300
Rates & Taxes	430
Discounts	820
Blankshire Banking Co., Ltd.	3600
Sundry Debtors	6800
Cash in hand	90

Dr. Balances continued—	
Bad Debts	£125
Sales Returns	1880
Repairs	405
Interest on Debentures	800
Patents (cost)	18000
Cr. Balances—	
Issued Capital	100000
Debentures	20000
Sundry Creditors	2000
Bills Payable	4500
Profit & Loss A/c.	500
Sales	53000

Answer.—*Gross Profit* £19620; *Net* £6115; *Total of B/S.* £133115.

9. What do you consider the best way of providing for Depreciation of Plant in the case of a manufacturing business? Illustrate your answer by showing the entries in a Plant A/c. for three years, assuming the original cost of the asset to have been £1000. **10.** Distinguish between Gross Profit and Net Profit in the case of a large trading concern divided into several departments.

11. On the 1st Sept., 1906, the A. Co., Ltd., purchases the business of A. as a going concern. The assets consisted of :— Machinery and Plant £390000, Stock-in-Trade £90000. Trade Debtors £50000, Land and Buildings £200000, Work in Progress £30000. It was arranged that the Company should take over and discharge the liabilities of A. amounting to £50000. The purchase price was fixed at £750000, payable £250000 in cash, and the balance in fully paid ordinary shares of £1 each. Show Journal entries to record these transactions. **12.** The X Mining Co., Ltd., having its registered offices in London, remitted to its Manager in West Australia during the year 1905 the sum of £5000. At the end of the year it received from its Manager returns showing expenditure as follows :—Wages on Development £1000, Wages on Mining and Milling £1200, Salaries £500, Stores £1500, Sundry Expenses £200. During the year Stores to the amount of £500 had been used chargeable against development, and £700 chargeable against mining and milling. Bullion sold had produced £2400, and the estimated amount of bullion unsold was £500. Show the Journal entries in the Head Office books.

13. How is Depreciation of Fixed Assets provided for under the double a/c. system? **14.** The X Co., Ltd., by its Articles of Association, is required to set aside and invest the sum of £1000 per ann. before declaring any dividends, in order to provide for the redemption of £40000 Debentures redeemable in 25 years. At the end of that time the instalments so set aside have accumulated at compound interest to £41645. The invest-

ments have been sold and the Debentures repaid out of the proceeds of such sale. State how you would deal in the Company's B/S. with the credit balance of £41645 representing the accumulation of the annual instalments.

INSTITUTE of SECRETARIES. (*June*, 1908.)

1. State how many different classes of Ledger A/cs. there are, and give one example of each class, stating upon which side of the a/c. the balance would normally be. **2.** What do you understand by the expression, "Closing the books"? When does this operation take place, and what is its purpose? **3.** Journalise the following transactions:—(*a*) Bought from A goods value £50. (*b*) Sold to B goods value £25. (*c*) Allowed B as discount 12s. 6d. **4.** What do you understand by Tabular Book-keeping? State shortly under what circumstances the system is advantageous.

5. X, a merchant, in the course of preparing his B/S. for the past year, finds upon his books the following debit balances:—A, £10; B, £12; C, £15. A's a/c. he regards as wholly bad, and he does not expect to recover more than half of the amount due from B, and two-thirds of the amount due from C. Show Journal entries in X's books before preparing his B/S.

6. Prepare Trading, P. & L. A/cs. and B/S. of a City Merchant for the year ended 31st Dec., 1907; **Stock** worth £5000.

Dr. Balances—		**Dr. Balances** continued—	
Stock, 1st Jan., 1907	£4800	Bank	£2400
Purchases	12250	Drawings	1200
Premises	9500	Bills Receivable	600
Salaries	650	**Cr. Balances**—	
Carriage & Freight	750	Sales	16500
Rent, Rates & Taxes	500	Sundry Creditors	5000
General Expenses	275	Bills Payable	500
Bad Debts	75	Capital A/c.	11000

Answer.—*Gross Profit* £3700; *Net* £2200; *Total B/S.* £17500.

7. Instance three different kinds of errors in a/cs. that would not disturb the agreement of the T.B.

8. Show the Ledger a/cs. affected by the following transactions and state through what books of first entry each would be recorded:—

1908.—Jan. 1. Sold to A. goods value £100.
„ 5. „ „ „ £200.
Feb. 1. Drew upon A at three months for £300.
„ 4. Discounted A's acceptance with Bankers at 6%.

9. State how you would deal with Cash Discounts in a business where the receipt and allowance of such discounts is frequent.

10. On the 1st Jan., 1888, the A. Co., Ltd., acquired a fifty years' lease of its business premises, paying therefor £10000. It was decided to provide for Depreciation by setting aside £90 per annum as a Sinking Fund, and on the 31st Dec., 1907, the amount so set aside had (with int.) accumulated to £2400. On the 31st Dec., 1907, the Directors obtained from an Insurance Co. a Policy assuring them the payment of £10000 at the end of thirty years, in consideration of an annual premium of £220, the first premium being paid on that date ; having thus provided for the redemption of Capital they gave instructions that the £2400 accumulated during the past 20 years should be stated in the B/S. dated 31st Dec., 1907, as "Reserve Fund." Do you consider this treatment correct ? Give reasons for your answer.

11. Capital expenditure has been defined as expenditure of such a character as to necessarily involve further expenditure for up-keep in subsequent years. Give two examples of Capital Expenditure that would not be covered by this definition.

12. State shortly the difference between the basis for the valuation of assets in the B/S. of a going concern and in the Statement of Affairs of an insolvent business. **13.** What is sectional balancing ?

14. X & Co. are Wholesale Drapers. It is their practice, when preparing their annual B/S., to make a Reserve of 2½% on their Trade Debtors and Creditors to cover Cash Discounts. On the 31st Dec., 1906, the Outstanding Debtors were £4872, and the Creditors £2648. At the end of the following year the figures were £3980 and £2964 respectively. During the year 1907 the totals of Discounts (as per Cash Book) were as follows : Dr. £1623, Cr. £1205. Show the Discount A/c. for the year 1907, as it would appear after closing the books on the 31st Dec., last.

ROYAL SOCIETY of ARTS. (*Advanced*, 1905.)

1. Explain the difference between a "Trading" A/c. and a "P. & L." A/c., and state in which a/c. you would place the following, giving your reasons :—Purchases, Manufacturing Wages, Carriage, Returns, Sales, Allowances, Debenture Interest, Salaries, Advertising, Stocks and Materials.

2. Show how the following transactions should appear in the books of Richard Random & Sons. They shipped goods to Paul Gold, their agent at Cape Town, on 1st September, 1904, and sent therewith a *pro formâ* invoice for £578 (goods £500, freight £60, and insurance £18). On 28th October, Paul Gold sent home an A/S., from which it appeared that a portion of the goods had realised £460 ; and deducting exs. £10 and comm. £25, he enclosed a draft at 3 months for the balance. The stock

unsold amounted at invoice prices, plus exs., to £280. On Nov. 2nd he sent home another A/S., which showed that the balance of the consignment had realised £320; which, less £8 exs. and £10 comm., he remitted by a 3 months draft. (*Profit on Consignment*, £149.)

3. The undermentioned errors were made by the counting house staff in the books of Messrs. Black & Brown during the year ended Dec. 31, 1904. How would you adjust these errors, and how would they affect the Annual A/cs. for that year? (*a*) On June 30, a builder's charge for the erection of a small shed, amounting to £198, was analysed in the Purchases Journal under the head of "Repairs" and posted to that a/c. (*b*) On July 1 a cheque for £18 2 4 received from James Smith was dishonoured and posted to "Allowances A/c." (*c*) On Aug. 12 the total of the previous month's wages was debited to "Manufacturing Wages A/c." During the month some new machinery had been put down, and the firm's own men had spent time thereon amounting to £141. (*d*) On Dec. 28, goods to the value of £64 were returned by Francis White and taken into stock; but not entered in the books until 2nd Jan., 1905.

Ex. The North London Engineering Co., Ltd., was registered on Jan. 1, 1903, with a nominal capital of £100000 in Ordy. Shs. of £1 each. It had power to issue £15000 Mortgage Debentures of £100 each, bearing interest at 4% per ann. It took over on that date an existing business and commenced manufacturing. At the close of 1904 **stock** was valued at £14250. The following **adjustments** were necessary before closing the a/cs.:—(*a*) Depreciation of Plant and Machy. at 10%, Patents at 20%; (*b*) Half-year's Debenture Int. due on Dec. 31 to be reckoned; (*c*) 5% provision for bad and doubtful debts to be made. Prepare Trading A/c., P. & L. A/c. and B/S. after carrying £1500 profit to the Reserve A/c.

Dr. Balances—		**Dr. Balances** continued—	
Unpaid Calls	£300	Bad Debts	£578
Patents	900	Int. payable & Bank charges	138
Cash	320	Additions to Buildings during the year	3840
Sundry Debtors	7240	**Cr. Balances**—	
Machinery & Plant	12480	Share Cap. A/c. (60000 shs. of £1 each issued and 10/- per share called)	30000
Freehold Buildings (Jan. 1)..	24000	Sundry Creditors	4095
Stock (Jan. 1, 1904)	17200	Reserve A/c.	8500
Manufacturing Wages	22100	Mortgage Debenture	9000
Salaries	2400	Sales	121580
Carriage	560	Rents	374
Rates, Taxes & Insurance ..	252	Unpaid Dividends	58
Trade Expenses	721	Holdfast Bank Ltd.(overdraft)	4200
Repairs	240	Bad Debts Res. Jan. 1, 1904	321
Purchases	84604		
Mortgage Debenture Interest	180		
Provision for Auditors' Fees	75		

Answer.—*Gross Profit* £11926; *Net* £5507; *Total B/S.* £61240.

ROYAL SOCIETY of ARTS. (*Advanced*, 1906).

1. Walter Robinson, who is a slate merchant, has recorded his transactions in the following books :—(*a*) Sales Day Book, in which all sales to customers have been entered. The sales have been posted in detail to the debit of the customers' personal accounts in the "Sales Ledger." (*b*) Cash Book : Only "Bank" items have been dealt with in this book, and all cash thus received and paid has been duly entered. Cash received from customers has been posted to their credit in the "Sales Ledger." Cash paid to creditors for goods purchased has been posted to their debit in the "Purchases Ledger." With these exceptions no further posting has been done. (*c*) Petty Cash Book :—This book, used for small cash payments, has been kept in funds by a weekly cheque passed through the "Cash Book." (*d*) "Sales" and "Purchases" Ledgers, as referred to above. Statements from creditors and receipts have been kept on a file, but not otherwise dealt with. Except as detailed above, no further record of any kind has been kept by Robinson of his business transactions. Is Robinson's system of book-keeping an efficient one ? If not, what alterations or additions will be necessary, in order that he may be in a position to prepare proper annual accounts ?

2. Black and White enter into partnership upon equal terms as to profits or losses of the venture, for the purpose of perfecting an invention with a view to its sale to a Syndicate. No interest was to be paid on Partners' Capital prior to division of results. Black contributed £300 and White £150 to cover the cost of experiments, White giving his personal services without salary. Upon the completion of the necessary experiments the purchases and expenses were found to have amounted to £478. Black then advanced a further £50 and White paid a further £22 for Patent Fees, &c. The invention was sold by them to a Syndicate for £1000 in cash, which was paid to them, and 1000 fully paid shares of £1 each in the Syndicate, and these were duly allotted. Upon dissolving the partnership, White arranged to take over the stock of materials at an agreed valuation of £36, and undertook to discharge outstanding liabilities (if any). Black consented to take over the 1000 fully paid shares at an agreed valuation of £50. Prepare the accounts necessary upon the dissolution of partnership.

3. What is a "Cost Account" ? Give a specimen of a Cost Account suitable for use in some manufacturing business with which you are acquainted, giving both the ruling of such account, and also entering not less than six and not more than twelve items of cost relating to that particular manufacture.

4. What is meant by the "Double Account" system of Book-keeping ? To what classes of enterprise does it refer ?

Ex. The Sherbourne Iron Furnace Co., Ltd., has a registered cap. of 150000 shares of £1 each ; 120000 shares upon which 10s. per share has been called up, have been issued and subscribed. Owing to default by non-payment of Calls, 100 shares, upon which £5 has been received, have been forfeited in accordance with the Articles. On 30th Sept., 1905, the Stock was certified

by the Managing Director :—Pig Iron £16045, Limestone £78, Coal and Coke £900, Iron Ore, &c., £1128. The balances were extracted after all the necessary trade reserves and depreciations had been adjusted. Prepare a "Furnaces" (or Working) A/c., showing the cost of the Pig Iron produced, a Trading and P. & L. A/c. for the year ended 30th Sept., and a B/S., after carrying £2000 to the Dividend Reserve A/c.

Dr. Balances—		**Dr. Balances** continued—	
Freehold Premises	£23400	Insurance (Fire & Employers' Liability)	£385
Furnaces, Fixed Plant & Utensils	24920	Law Charges	233
Locomotives & Rolling Stock	7411	Bad Debts	9
Wages (Furnaces)	8724	Dividend A/c. (paid March 31, 1905, on a/c. of year ended Sept. 30, 1904)	5995
Limestone Stock	122	Cash in hand	224
Coal & Coke Stock	1400	Carriage Inwards	2000
Iron Ore, &c., Stock	1006	Carriage Outwards	3000
Pig Iron Stock	26272		
Coal & Coke Purchases	27227	**Cr. Balances**—	
Limestone Purchases	3320	Reserve	2000
Iron Ore, &c., Purchases	14467	Share Capital	59950
Sundry Debtors	7257	Bills Payable	120
Rates & Taxes	1297	Profit & Loss	7822
Repairs & Renewals of Furnaces, &c.	2500	Sales	86873
Repairs & Renewals of Rolling Stock, &c.	1221	Forfeited Shares	5
Office Salaries & Sundry Wages	1728	Sundry Creditors	5604
Travelling Expenses	237	Bank Overdraft	1981

Answer.—*Gross Profit* £17986; *Net*, £9876; *Distributable*, £9703.

ROYAL SOCIETY of ARTS. (*Advanced*, 1907.)

1. Give the form of B/S. as provided by law for one of the following :—(*a*) Gas Co.; (*b*) Railway Co.; or (*c*) Insurance Co.

2. A Manufacturer, whose business is divided into the three departments of knitted mufflers, sailors' jerseys and woollen gloves, adopts the following method of recording his sale transactions. When goods are dispatched, an invoice is made out in an invoice Carbon Copy Book, and sent to the purchaser. The Carbon Copy Book is then handed to the Ledger Clerk, who writes the Ledger folio of the customer's a/c. under the total of the Copy Invoice, and posts the item to the debit of the customer's a/c. in the Ledger thus :—*Invoice No.*

April 1, 1907. *To Goods, N.B., No.* 0001, £59 12 10.

Does this method appear to you to provide an adequate record ? If not, what would you suggest and with what object ?

3. What special instructions would you suggest should be given at the time of "Stocktaking" to the clerks who are responsible for checking inwards invoices and have charge of the Purchase Book and Purchase Ledger, so as to ensure the accuracy of the figures representing Purchases, Expenses and Stock as appearing in the Trading A/c. for the period under review.

4. George Hargreave commenced business as a builder on 1st Jan., 1906. He owns a gravel pit, from which he obtains material useful to him in executing his building contracts. From the following figures you are required to prepare the gravel pit Working A/c. for the past year to 31st Dec., 1906, so

as to enable him to charge the gravel he uses for his various contracts at the cost price per load. The gravel pit is leased to him for 24 years at a rental of £10 a year, and this he has duly paid. The equipment, consisting of the necessary screening machinery, &c., has cost him £552. The wages for the men at the pit for the year have been £247, while supplies to the department issued from the general stores (as shown by the storekeeper's records) were implements £43 15s. 6d., coal and coke £20 5s. 5d., and sundries £11 11s. 1d. Sales of gravel at the pit to outside purchasers amounted to 1568 loads at 2s. 6d. per load. Mr. Hargreave has used on his contracts during the year 2304 loads of gravel, carted from his pit with his own carts, to cover which he had charged his gravel pit Working A/c. 4½d. a load. In preparing the A/c. provide for writing off the value of the equipment over the period of the lease, by equal annual amounts; and, as he allows the pit the benefit of any profit on outside sales, to charge the working a/c. with interest at 5% per ann. on the equipment. **Answer.**—*Cost of Gravel per load,* 2/-.

Ex. The John Smith and Steel Nib Co., Ltd., was registered on, and took over the business of John Smith, as from 1st Jan., 1906. Smith sold his business to the Company upon the following valuation :—Buildings (on leasehold premises with 21 years to run from 1st Jan., 1906) £7500; Machinery and Plant £11650; Stock and Materials £3872; Goodwill £10000. The Company took over the Book Debts, which Smith guaranteed, while he discharged the liabilities existing on 31st Dec., 1905. The Company was registered with a Nominal Capital of £80000 divided into 80000 shares of £1 each. Of these 25000 fully paid shares were allotted to the Vendor as part consideration for the sale of the business, the balance being paid to him in cash. 20000 shares were offered to, subscribed, and fully paid by the Public, with the exception of 200 shares on which 10s. per share had been paid, and which were forfeited during the year 1906, by resolution of the Board of Directors, owing to the non-payment of the final call of 10s. per share. The books were closed on 31st Dec., 1906, the **Stock** amounted to £6760. Write off 1-20th of the value of the buildings (to provide for the expiration of the Lease); 8% of the Machinery and Plant; one-fourth of the Preliminary Exs.; and 5% for Bad and Doubtful Debts. Prepare Trading and P. & L. A/cs. and B/S.

Dr. Balances—	
Purchases	£35720
Rent	76
Rates & Taxes	211
Wages	8241
Salaries	917
Manufacturing Expenses	2163
Returned Sales	763
Discounts allowed (of which £239 were allowed on debts which were guaranteed in full by Smith and are payable by him)	1033
Office Expenses	1006
Directors' Fees	200
Dr. Balances continued—	
Sundry Debtors	£12380
Preliminary Expenses	400
Bad Debts (of which £187 were in respect of the debts guaranteed by Smith and are payable by him)	206
Cash at Bank	3599
Auditors' Fees	100
Cr. Balances—	
Sales	49798
Returned Purchases	311
Discounts received	561
Sundry Creditors	4487

State what dividend you would recommend to be paid to the Shareholders, and what balance of P. & L. A/c. would be carried forward to the next year. (*Proposed Dividend* 2½%.)

Answer.—*Gross Profit* £6110 ; *Net* £1322 ; *Total of B/S.* £50689.

ROYAL SOCIETY of ARTS. (*Advanced,* 1908.)

1. If, on comparing your Bank Cash Book Balance with your Bank Pass Book Balance, you found that the two did not agree, what steps would you take to check the correctness or otherwise of your Bank Cash Book, and what would be the principal differences you would expect to find ? **2.** What is a "Cumulative Preference Share" ? The A.B. Company is three years in arrear with the dividends on its 1000 6% Cumulative Pref. Shares of £1 each. Would this fact affect the annual a/cs. ? If so, how ? **3.** Give what you consider would be a satisfactory ruling for a Cost Sheet of a manufacturer, with whose accounts you are familiar. State from what books of a/c. the necessary information for the completion of the Cost Sheet would be obtained.

4. A. and B. are partners in A. and B.'s Coal Stores, and they share profits and losses equally. On 31st Dec., 1907, they had cap. in the business—A £3100 and B £2600. The assets and liabilities of the firm, as on that date, stood at the following figures in the books :—Office Furniture and Fittings, £320 ; Coal Trucks, £930 ; Trade Creditors, £848 ; Cash at Bank, £1166 ; Carts, Plant and Horses, £476 ; B/P., £652 ; Sundry Debtors, £3720 ; Cash in hand, £18 ; and Stock of Coal, &c., £570. They agree to take into partnership C, a coal agent, as from 1st Jan., 1908, on the following terms :—Profits and Losses to be shared :—A. 2/5ths, B. 2/5ths, and C. 1/5th. C. was to bring into the partnership "Book Debts" amounting to £560 (less a reserve for Bad Debts of 5%), and the Goodwill of his connection, valued at £310 ; while his Cap. in the new firm was to be £1000, the balance of which he was to pay in cash on signing the Articles of Partnership on 1st Jan., 1908. It was further agreed between A., B. and C. that the following adjustments should be made in the figures as shown on A. and B.'s B/S. on 31st Dec., 1907 :—The Coal Trucks were to be taken at £1000, and the Carts, Plant and Horses as at £550, the result of an independent valuation ; a Bad Debt reserve of 7½% was to be deducted from outstanding Debtors ; the Goodwill of the old firm (A. and B.) was to be taken at £455 ; and A. was to be paid out from the Bank Bal. such a sum as would make his Cap. equal to B's. The Agreement was carried out. (*a*) Make Journal entries necessary to complete the above adjustments, and (*b*) Draw up a B/S. showing the position of the new firm as on 1st Jan., 1908.

Answer.—*Cap., A,* £2760 ; *B,* £2760 ; *C,* £1000 ; *Total B/S.* £8020.

Ex. The Albury Mining Company, Ltd., was registered on 1st Jan., 1907, and commenced operations at once as an Exploring and Mining Co. The Nominal Cap. consisted of 50000 Ordy. Shares of £5 each. Of this Cap. 20000 shares were issued and taken up by the public, 30/- per share being called up. During the process of sinking a shaft, a good deposit of clay was found, suitable for tile-making, and the Co. decided to manufacture and sell tiles, as a separate trading department. During the month of Dec. the Company's Engineer reported that a paying vein of tin had been reached; and the Directors decided that the cost to date of opening up this vein should be capitalised and written off over future years when the property was in full working order. Prepare (*a*) an a/c. showing the amount which you consider should be capitalised as representing the cost of opening up the tin vein, (*b*) an a/c. showing the trading results of the Tile Dept. for the year ended 31st Dec., 1907, and (*c*) the B/S. as on 31st Dec., 1907. The Directors decided that a charge of £343 should be made against the Tile Dept., as representing power, coal, &c., used; and a charge of £104, as representing a share of general trade exs. The **Stock** of Tiles on hand as on 31st Dec., 1907, was valued at £718. On the 31st Dec., 1907, the bal. of the Ledger A/cs. of the Co. were as follows :—

Dr. Balances—	
Freehold Land at cost	£7000
Buildings at cost	563
Preliminary Expenses	410
Stock of Stores & Coal, 31st Dec., 1907	988
Coal consumed.....	931
Wages	3843
Salaries	308
Stores used	2745
Stores (Tile Department) ...	56
Wages (Tile Department) ...	2733
Machinery & Plant at cost ..	12038
Sundry Debtors	359
Dr. Balances continued—	
Rates, Taxes, Office & Sundry Expenses and Carriage ...	£584
Carriage (Tile Department)	215
Legal Expenses (re Claim for injuries in Mine Accident)	220
Tramway & Wagons at cost	1100
Travellers' Commission (Tile Department)	63
Cash at Bank	2477
Cr. Balances—	
Capital	30000
Sales of Tiles	2599
Sundry Creditors	3407
Bills Payable	627

Answer.—*Amount to be capitalised*, £8184; *Net Loss on Tile Department*, £197; *Total B/S.* £34034.

ROYAL SOCIETY of ARTS. (*Advanced*, 1909.)

1. In a business consisting of various departments, in what way would you keep the Stock A/cs. so as to (*a*) minimise the danger of false returns by the Manager and (*b*) prevent theft on the part of dishonest employees? **2.** A Company having a Lease standing in their books at £5000 decide to provide for depreciation by taking out a policy for leasehold redemption. How would you deal with the annual premiums in the books; and how would you adjust the a/cs. when the lease expires and the policy matures? **3.** What do you understand by "Rebate on bills discounted," and how would you treat this item when preparing the Profit & Loss A/c. and B/S. of a Bank?

4. Jones, a trader, finding that, owing to his liabilities, he was unable to successfully carry on his business, executed a deed of assignment on 30th June, 1908, in favour of his creditors, under which the creditors agreed to accept 1s. in the £ in full satisfaction of their debts. Brown, the largest creditor, (his debt amounting to £1000) arranged with Jones to take over the business and to pay in £300 in cash, in order to provide sufficient to pay the 1s. in the £ to the creditors, other than himself, and to furnish the necessary working capital for carrying on the business ; and a legal agreement was, in due course, entered into between Brown and Jones whereby it was agreed that Brown should carry on the business until such time as Brown should, from profits earned, have recouped himself his old debt of £1000 and the £300 advanced by him to Jones, together with the further sums it might be necessary for him to pay in, in order to carry on the business. Jones was to manage the business during that time at a salary of £1 10s. a week and 5% commission on the net profits. When the profits had reached the amount necessary to recoup Brown for his original debt and subsequent advances, it was agreed that the business should revert to Jones. The creditors on 30th June, 1908, including Brown, amounted to £4000 ; the debtors, which were all presumed to be good, to £500 ; the Stock was valued at £200, and the Furniture and Fixtures at £20. Make the Journal entries necessary for opening the new books for Brown, as on 30th June, 1908. Presuming that, on 31st Dec., 1908, Brown's books showed Creditors of £80 (not including Jones' commission for the half-year) ; Debtors of £700 ; Furniture and Fixtures, after additions and depreciation had been taken into consideration, of £25 ; and Cash at the Bank and in hand £200 ; draw Brown's B/S. as on that date, taking the stock at a valuation of £150. It is necessary, in accordance with the terms of the Agreement for the B/S. to show the amount then due to Brown.

Ex. The Manufacturing Co., Ltd., has a Nominal Cap. of 15000 shares of £10 each ; and a Subscribed Cap. of 8000 shares, fully paid up. It manufactures goods for sale at its two branches A and B, which sell no other goods than those of the Company's manufacture. From the following T.B. as on 31st Dec., 1906, prepare Trading and P. & L. A/cs. for the Head Office and for each of the Branches for the year ended 31st Dec., 1908, and a B/S. of the Company as a whole as on that date. **Stocks** on hand valued as on 31st Dec., 1908, were :—Head Office, £10527 4 5 ; Branch A, £3024 12 1 ; Branch B, £1927 9 4. Write off depreciations :—Head Office Plant and Machinery 10%, Furniture & Fixtures Head Office 5%, Furniture & Fixtures Branch A 5%, Furniture & Fixtures Branch B 5%. Create a reserve for Bad Debts of 2½% on the Sundry Debtors. Write off £5000 from Goodwill and carry £10000 to Reserve. All carriage on the goods sent to the Branches is paid by the Head Office.

Dr. Balances—	Head Office.			Branch A.			Branch B.		
Freehold Premises—Head Office	£40000	–	–						
Branch A.	10000	–	–						
Branch B.	10000	–	–						
Goodwill	30000	–	–						
Plant & Machinery, Head Office	8000	–	–						
Furniture&Fixtures–HeadOffice	500	–	–						
Branch A.	700	–	–						
Branch B.	800	–	–						
Cash at Bank	6790	1	6						
Cash in hand	14	7	2	83	2	9	38	9	5
Stock in hand, 31/12/07	11245	5	1	2812	3	7	1994	17	6
Purchases (less returns)	65090	5	11						
Wages	39651	1	11	2419	–	–	2622	3	4
Salaries	1500	–	–	247	14	4	276	6	6
Carriage to Branches	1516	14	7						
Rates & Taxes	323	2	9	442	6	7	328	14	4
General Expenses	517	9	2	2016	4	6	1796	6	8
Goods from Head Office				94167	2	3	44267	–	2
Bad Debts				1552	8	2	746	17	11
Sundry Debtors				9620	2	9	5370	3	2
Income Tax) No apportionment	447	10	8						
Directors' Fees) of these items	1000	–	–						
Audit Fee) to be made.	105	–	–						
Branch A. Current A/c.	301	18	3						
Do. B. do.	3353	–	8						
	£231855	17	8	£113360	4	11	£57440	19	–
Cr. Balances—									
Share Capital	80000	–	–						
Sundry Creditors	11247	13	2	541	6	6	547	12	1
Goods to Branch A.	94167	2	3						
Do. do. B.	44267	–	2						
Sales (less returns)				112517	–	2	53540	6	3
Profit & Loss A/c. (balance)	2174	2	1						
Head Office Current A/c.				301	18	3	3353	–	8
	£231855	17	8	£113360	4	11	£57440	19	–

Answer.—*Gross Profit, Head* £31457 19 4 ; *A.* £16143 6 5 ; *B.* £6583 14 7 ; *Net, Head* £26739 16 9 ; *A.* £11609 2 9 ; *B.* £3261 4 1 ; *Net Profit A/c., Bal. for Distribution* £28784 5 8. *Total of B/S.* £131120 17 5.

ROYAL SOCIETY of ARTS. (*Advanced*, 1910.)

1. John Garside keeps his "Sales Ledger" upon the "self-balancing" principle. Prepare the necessary "Adjustment A/c." as on 31st Jan., 1910.

Jan. 1. Total debtors' debit balances at this date were .. £12542
„ 31. Total goods sold to customers for the month .. 21658
Total goods returned by customers for the month 942
Total cash received from customers for the month 15621
Total discount allowed customers for the month 968
Total acceptances received from customers during month 3471
Total acceptances dishonoured by customers during month 542

2. A. B. and C. D. are in partnership as manufacturers of printers' type. Their annual a/cs. are prepared upon the usual prudent lines, and duly provide for depreciation, bad debts and

like matters. Is it probable that the net profit of the above business, as shown by the annual a/cs. of the firm, would be accepted by the Surveyor of Taxes as representing the amount assessable under Schedule (D) for Income Tax purposes ? Give examples of any surcharges that you consider probable, if you are of opinion that the profit as shown by the firm's a/cs. would not be accepted as the basis of assessment.

3. What is the chief difference between a "Receipts & Payments A/c." and an "Income & Expenditure A/c." ? In what undertakings are these forms of accounts respectively made use of ?

4. Give the "Drawing A/c." of John Robertson as it would appear in the firm's Private Ledger as on 31st Dec., 1909, under the following conditions :—His Capital on 1st Jan., 1909, was £5000. His Drawings were :—1st May, £250, 1st July £300, 1st November £200, 1st December £100. His share of profits for the year was £795. Interest is allowed by the firm's Partnership Articles on Capital, and charged on withdrawals at the rate of 5% per ann.

Ex. The Utopia Motor Works, Ltd., commenced business on 1st Feb., 1906, with a Nominal Capital of £200000, divided into 5000 Pref. Shares of £10 each, and 150000 Ordy. Shares of £1 each. Prepare Trading, P. & L. A/cs. and B/S. for year ended 31st Jan., 1910. Reserve for Interest on Loans accrued to 31st Jan., £26. Reserve for the proportion of Rates and Insurance paid in advance. **Stock,** 31st Jan., 1910, £19822. Loose Tools on 31st Jan., 1910, were valued at £7285. The Directors decided (1) that 2/3rds of the expenditure on advertising was to be carried forward in suspense ; (2) that the whole of the expenditure on repairs was to be charged against the Repairs Reserve ; (3) That the Reserve for Bad Debts was to be fixed at 4% on the value of the Trade Debtors ; (4) that 5% depreciation was to be written off the value of the Plant as on 1st Feb., 1909 ; (5) that £361 was to be written off for depreciation of Buildings.

Dr. Balances—		**Dr. Balances** continued—	
Plant (including additions during year £723)	£36803	Loose Tools	£8001
Rates, Taxes, Gas, Water & Insce. (including Rates for 1 year to 31 Mar., 1910, £126, and Insce. for 1 year to 31 Mar., 1910, £240)	872	Advertising	2190
		Office Expenses	203
		Interest on Loans	161
		Cash at Bank and in hand	37
Stock, 1st Feb., 1909	14685	**Cr. Balances—**	
Goodwill	22000	4500 Pref. Shares fully paid	45000
Sundry Trade Debtors	8700	22640 Ord. Shares 15/- paid	16980
Calls in Arrear (Ordy. Shs.)	806	32000 Ord. Shs. (Vendors) fully paid	32000
Preliminary Expenses	537	Loans from Sundry Persons	930
Purchases (including Carr.)	57323	Repairs Equalisation Reserve	2648
Wages (Manufacturing)	5312	Sales	107866
Salaries and Commission	1263	Bank Loan	3400
Directors' Fees	2000	Bills Payable	11429
Bad Debts	1106	Sundry Trade Creditors	18176
Repairs	2182	Transfer Fees	17
Freehold Land & Buildings	26782	Bad Debts Res., 1st Feb., 1909	807
		P. & L. A/c. 1st Feb., 1909	37

Answer.—*Gross* £2041 ; *Net Loss* £6664 ; *Total B/S.* £127601.

ROYAL SOCIETY of ARTS. (*Advanced*, 1911.)

1. The undermentioned transactions took place between Robertson & Co., of London, and Trumper & Co., of Melbourne :

1910.	Dec. 31.	Balance owing by Trumper & Co. to Robertson & Co., at this date.....	£500
1911.	Jan. 7.	Robertson's shipped goods to Trumper & Co.....	300
,,	Apl. 10.	Bank draft received this day by Robertson & Co. from Trumper & Co.	600
	15.	Robertson's paid on behalf of Trumper & Co. :—	
		Charges Orient Mail S.S. Co.....	50
		London Packing Co., Ltd.	100

Prepare Account Current, bearing interest at 5%, to be rendered by Robertson & Co. to Trumper & Co., as on 30th April, 1911.

2. On 20th Jan., 1911, the Eastwood Timber Co., Ltd., allotted 500 ordinary shares of £1 each, numbered 18500 to 18999, to Ernest Willington, 33 Rayleigh Street, E.C., and on the same day they sent him a letter of regret with reference to the further 500 shares for which he had applied. E. Willington paid for the shares allotted to him as follows :—11th Jan., 1911, 5s. per share on application ; 20th Jan., 5s. per share on allotment ; and 10s. per share (final call) on 20th Feb. On 28th Feb., 1911, E. Willington purchased a further 500 shares, Nos. 1 to 500, on the Stock Exchange, for which he paid 21s. per share. The transfer from R. Gee, 14 High Street, Burnham, was lodged and approved on 6th March, 1911. On 31st March, 1911, E. Willington sold 100 shares, Nos. 1 to 100, to Peter Robinson, 14 Dowgate, Southminster, at 25s. per share, the transfer being lodged on 1st April ; approved 3rd April. Show the above transactions as they would appear in the statistical books of the Eastwood Timber Co., Ltd. Ignore all questions of brokerage, stamps and transfer fees.

3. The Tinacotah Rubber Plantation, Ltd., own a rubber estate in the East. Practically all the expenditure is local, and is made in cash. The rubber harvested is sent to Hamburg for sale by auction, the net proceeds being remitted to London. The local currency fluctuates considerably. You are required to outline briefly the system of Book-keeping you would advise the Company to employ, and to explain how you would deal with the question of currency and exchange. **4.** Describe briefly how you would convert a set of books, which had been kept on "Single-entry" methods, into the "Double-entry" system.

Ex. The Patent Rice Food Co., Ltd., was registered as a Private Company in December, 1909, with a nominal capital of £32,000, divided into 30,000 ordinary shares of £1 each, and 200 founders' shares of £10 each. The latter shares were issued, as fully paid, to the inventor of the patent food, in consideration for the license granted by him to the company for the sole right to

manufacture under his patent. The inventor and his friends subscribed for, and were allotted, 20,204 ordinary shares, upon which 12s. 6d. per share was called up. The Company started business on 1st Jan., 1910, and on 30th Sept., 1910, an interim dividend of 4%, free of tax, was declared and paid on the paid-up portion of the ordinary shares. On 31st Dec., 1910, the Ledger balances of the Company, in addition to those represented by the above transactions, were :—Calls in Arrear £2 10 –.

Advertising	£1668	Office Furniture	£219
Bank Loan	2000	Office Salaries	472
Bills Payable	4741	Preliminary Expenses	113
Carriage	977	Purchases	5816
Cash at Bank	1311	Rent, Rates, Lighting & Insurance	247
Sundry Debtors	3592	Sales	8862
Discount on Purchases (less Dis. on Sales)	93	Sales Returns	119
Electrical Power for Factory	151	Stationery and Office Expenses	77
Extensions of Leasehold Premises	2500	Sundry Trade Creditors	1427
Interest on Bank Loan	65	Travellers' Salaries & Expenses	1166
Machinery Purchased	8451	Wages	2299

Stock on 31st Dec., 1910, £3075. Prepare Trading, P. & L. A/c. and B/S. Adjustments to be Journalised. (*a*) Depreciation of Machinery at 10% per ann. for the six months during which the machines had been running. (*b*) Expenditure upon advertising to be spread over three years (1910 to bear a full share) and one half of Travellers' Salaries & Expenses to be carried forward to 1911. (*c*) The Carriage A/c. contained £236, representing freight on machinery erected at the factory, which it was decided to transfer to the Machinery A/c. The Wages included £93, representing the wages of men employed in erecting the machinery, which it was decided to treat in the same manner. (*d*) One quarter's rent of the factory, amounting to £52, was owing to 31st December, 1910, and must be reserved for.

Answer.—*Gross Profit* £3796 ; *Net* £506 ; *Total B/S.* £22846.

ROYAL SOCIETY of ARTS. (*Advanced*, 1912.)

1. Prepare the necessary a/cs. relative to the following investment, which would appear in W. A. Richardson's Ledger ; On 1st June, 1910, Richardson purchased £5000 New Zealand 3% (1945) Stock at 85½ plus 2s. 6d. % brokerage and 45s. stamps, etc. On 3rd Apl., 1912, Richardson sold £4000 of the stock at 89, and paid £6 7s. expenses. Int. on the stock is payable half-yearly on 1st Apl. and 1st Oct., less tax (to be taken at 1/2 in the £).

2. After considering the audited a/cs. of the Company for the year ended 31st Dec., 1911, the Directors of the Rayon D'Or Publishing Co., Ltd., resolved as follows :—(1) To pay the 6% dividend (less tax) due upon the Pref. Stock (£50,000) ; (2) To pay a dividend of 8% (less tax) upon the Ordy. Share Cap. (£60,000) ; (3) To Transfer £1500 to the Renewals Res. A/c. ; (4) To carry forward the bal. The profits shown by the P. & L.

A/c. amounted to £11,400. Assume the rate of Income Tax payable to be 1/2 in the £. Show the Journal entries necessary to carry out the above resolutions.

3. Give a form (or forms) of ruling of a Cash Book, suitable for the record of the Receipts and Payments of a Life Assurance Co. with a large business and many agencies. **4.** Is an employer under any obligation to the Income Tax authorities with reference to the salaries paid to his staff ? Are Limited Companies and their employees upon the same footing as the ordinary employer and his staff in this respect ?

Ex. A. and B. were in partnership as Manufacturing Ironmongers. Their Cap. A/cs. as on 31st Dec., 1910, were equal in amount at credit. The partnership agreement provided that A. should take £300 of the profits before B. received any share. The balance was to be divided equally between them. During the year ended 31st Dec., 1911, drawings were made by A. at the rate of £50 a month, and by B. at the rate of £6 a week. On 31st Dec., 1911, the Ledger Balances, in addition to those of the Partners' Capital and Drawings A/cs. were as shown below. **Stock,** 31st Dec., 1911, £6928 4s. 6d., Work in Progress £301 6s. 1d. ; Loose Tools £406 13s. 2d. Prepare Trading, P. & L. A/cs. and B/S. after taking the following into consideration :—(1) the Auditors called the Partners' attention to the fact that the Leasehold Premises had not been depreciated in the past. The lease has 15 years to run, and it is decided to write off the book value in equal annual instalments ; (2) 10% Depreciation to be written off Plant & Machy. as on 31st Dec., 1910, and 5% off the additions made during the year ; (3) £50 depreciation to be written off Furniture and Fittings ; (4) Wages A/c. is found to include £47, paid to men during the time certain repairs were being made by them to the machinery ; and it is decided to transfer this amount to its proper a/c., and also to put through a transfer of £121 2s. 7d. as representing the cost of material used out of stock for such repairs ; (5) The unexpired portions of Rates and Insurance were on 31st Dec., 1911, £27 2s. 3d. and £14 0s. 1d. respectively ; (6) Create a Reserve for Bad Debts, 5% on Sundry Debtors.

Cash at Bank	£280	2	8	Sales	£34242	12	7
Cash in hand	37	15	2	Sales Returns.....	347	13	7
Plant & Machy. (including additions during the year of £345 2s.)	4018	2	1	Purchases Returns ...	742	12	–
				Stock, 31st Dec., 1910	6738	–	2
				Sundry Debtors	9261	12	6
Furniture & Fittings ..	273	14	7	WorkinProgress,31/12/10	276	14	11
Discount A/c. (Dr. bal.)	47	3	1	Advertising	117	17	1
Manufacturing Wages	7649	12	10	Bad Debts	135	2	7
Salaries	962	13	6	Int. on Temporary Loan (repaid Nov., 1911)	6	7	10
Purchases	20747	16	11				
Carriage	467	4	9	Loose Tools, 31/12/10	431	14	2
Office Expenses	212	6	2	Rent, Rates & Taxes ..	346	15	3
Postage and Stationery	42	15	1	Insurance	92	4	2
Sundry Creditors	2136	19	–	Commission	114	9	11
Leasehold Buildings ..	1500	–	–	Lighting & Heating ...	102	4	7

Answer.—*Gross Profit* £6155 14 7 ; *Net* £2826 1 4 ; *Total of B/S.* £22051 – 4.

ROYAL SOCIETY of ARTS. (*Advanced*, 1913.)

1. The Falkirk Foundry Co., Ltd., was formed in January, 1912, to take over the business of John B. Clark, with a Nominal Cap. of 125,000 Shares of £1 each. The Assets were taken over at their book values; and in addition, 10,000 fully paid Shares of £1 each were issued to the Vendor as the purchase price of the Goodwill. 100,000 Shares of £1 each were offered to the public and were fully subscribed and called up. With the exception of £300, all calls were duly paid up, as on 31st Dec., 1912. During the year Debentures (5%) to the extent of £25000 were issued. In addition to the above transactions, the undermentioned a/cs. remained open upon the Company's Books as on 31st Dec., 1912 :—Sundry Creditors, £8960; Land & Buildings £55895; Investments, £20220; Preliminary Expenses A/c. (Balance) £1560; Reserve Fund £2000; Stock-in-Trade (31st Dec., 1912) £12690; Plant A/c. £24908; P. & L. A/c. (undistributed balance) £2550; Cash at Bank £9876; Cash in hand £489; Sundry Debtors £12572. Prepare B/S. of the Company as on 31st Dec., 1912.

2. Briefly explain the meaning of the following entries, which appeared in the books of the East Essex Assurance Co., Ltd., at the close of the Company's financial year, and describe the sources from which the entries would be compiled.

a.	Claims account .....Dr.	£15000	
	To Outstanding Claims Account		£15000
	For claims admitted, but not paid.		
b.	Agents' Commission Account .....Dr.	1980	
	To Sundry Agents		1980
	For commission due, but not yet paid.		
c.	Outstanding Premiums Account ...Dr.	21000	
	To Premiums A/c.		21000
	For Premiums not yet collected.		

3. The books of John Rogerson & Co. are efficiently kept upon the double entry system, and include one Bought Ledger and three Sales Ledgers (Town, Country and Foreign). Write a short report, instructing the firm's book-keeper how to take the steps which are necessary in order to convert the above-mentioned Ledgers into Self-Balancing Ledgers.

4. Enumerate six items, other than depreciation, which would be properly charged in the P. & L. A/c. of a commercial undertaking, but which would be disallowed by the Surveyor of Taxes for an Income Tax Return under Schedule (D). In each case state the reason why the particular item you select would be surcharged by the Surveyor.

Ex. On 1st Jan., 1912, the Lucas Manufacturing Co., Ltd., was formed to acquire the business of Mr. A. B. Lucas. The Nominal Cap. of the Company amounted to £20000 divided into 20000 shares of £1 each. It was agreed that 10000 fully paid shares of £1 each should be allotted to the Vendor as the purchase consideration for his business. The remainder of

the shares were offered for public subscription, and 8000 shares were applied for and duly allotted. Up to 31st Dec., 1912, 17s. 6d. per share had been called up ; and, with the exception of 2s. 6d. per share on 1,200 shares, had been paid in full. The balances, stated below, appeared in the books of the Company on 31st Dec., 1912, in addition to the balances represented by the above transactions. **Stock** £3104 14s. 10d. Prepare Trading and P. & L. A/cs. and B/S., after taking into consideration the following :—(*a*) Depreciate Plant and Machinery, and Fixtures & Fittings 10% ; (*b*) One-half of the bal. of the Preliminary Exs. A/c. is to be written off ; (*c*) A quarter's rent (£62 10s.) was outstanding on 31st Dec., 1912 ; (*d*) Rates and Insurance unexpired and paid in advance on 31st Dec., 1912, were respectively £17 2s. and £14 6s. 1d. ; (*e*) Res. for Bad and Doubtful Debts is to be made up to 5% on the amount of the Sundry Debtors.

Plant and Machinery ..	£8741	10	–	Bills Receivable.....	£142	16	6
Fixtures & Fittings....	942	–	–	Discount A/c. (Dr. Bal.)	18	9	1
Sales	22952	14	9	Preliminary Expenses A/c.	216	7	2
Sales Returns.....	421	14	9	Salaries	750	–	–
Purchases	12642	14	7	Directors' Fees	200	–	–
Purchases Returns	147	6	2	Rates, Taxes & Insurance	137	14	6
Reserve for Bad Debts	150	–	–	Rent	187	10	–
Manufacturing Wages	5412	–	6	General Expenses	216	14	1
Carriage Outwards	322	4	1	Manufacturing Charges	167	16	5
Lighting & Heating ...	86	14	1	Stock, 31st Dec., 1911 ..	3416	18	4
Fuel & Power	337	6	11	Cash at Bank	647	14	11
Sundry Debtors	6414	15	–	Cash in hand	19	10	9
Sundry Creditors	1342	10	9				

Answer.—*Gross Profit*, £4143 11 2 ; *Net Profit*, £608 11 2 ; *Total of B/S.* £18863 11 11.

ROYAL SOCIETY of ARTS. (*Advanced*, 1914.)

1. The undermentioned persons applied for, in the order named, and were, with one exception, duly allotted Shares of £1 each offered for subscription for Soleil D'or Limited. The Shares were payable as to 5s. per Share on application, 5s. per Share on allotment, and the balance as and when determined by Resolution of the Directors. The distinctive numbers allocated to the Shares in question ran from 1 onwards. The Application List was closed on July 1st, 1913, and all allotment moneys were paid on or before 15th July, 1913. Make the entries recording the application for, and allotment of, the following Shares in the Application and Allotment Book of the Company.

	Applied for.	Allotted.
Robert Rheid, 16 Finsbury Circus, E.C., Wool Broker	5,000	5,000
George Dewey, 261 Low Pavement, Nottingham, Lace Manufacturer	1,000	500
Robert Richmond, Eastwood, Essex, Rose Grower..	2,000	2,000
Florence Veitch, The Manse, Loamtown, Spinster ..	100	none

2. What is an Account Current ? Illustrate, by means of a *pro formâ* account, a convenient method of arriving at the amount of interest chargeable on the current balance of an account between a merchant and his foreign agent.

3. On Dec. 31st, 1912, the Hadleigh Trading Co. appeared in the books of A. B. Waters as debtors to the extent of £497 12s. 6d.; and on 1st Jan., 1913, they accepted three bills, in settlement of their account; one for £150 at one month's date, one for £175 at two months' date, and a third, for the balance of the account, at four months' date. The first bill was duly met at maturity. The second bill was dishonoured, but was renewed at one month, plus 5% interest, and was duly met on maturity. The third bill was taken up, under a rebate of 5%, one month before maturity. Give the entries necessary to record these transactions in the books of A. B. Waters.

4. The P. & L. A/cs., as prepared by Robert Rayleigh, for the three years ended 31st March, 1913, are set out below. The factory occupied by him was his own freehold property, the Schedule A Assessment being £300 per annum. The Surveyor disallowed the amounts charged in the Accounts for Depreciation, but agreed to an allowance of £39 for Depreciation on Plant. Prepare R. Rayleigh's return for Schedule D purposes for the fiscal year 1913-14.

P. & L. A/cs.—	1911 £	1912 £	1913 £
General Expenses ..	450	501	462
Depreciation (Plant)	82	71	68
,, ,, (Fixtures)	15	15	15
Fire Insurance	12	12	12
Income Tax	29	27	19
Interest on Capital	350	350	350
Charitable Donations	10	19	17
Salaries	560	620	580
Net Profit	682	227	169
	£2190	£1842	£1692

	1911 £	1912 £	1913 £
Balance from Trading A/c.	2190	1842	1692
	£2190	£1842	£1692

Ex. A. was in business as a manufacturer, and on the 1st Jan., 1913, he admitted his manager B. as a salaried partner, on the following conditions:—(*a*) A Goodwill A/c. was to be opened in the books of the new firm, and debited with £5,000, and this amount was to be credited to the Partners' Capital A/cs. in the proportions of ¾ to A. and ¼ to B. The share of Goodwill credited to A. was equal in amount to one-third of the balance standing to the credit of his Capital A/c. before the admission of B. as a partner. (*b*) The Partners' Capital A/cs. were to be credited with interest at 5% per annum (out of profits). (*c*) B. was to receive (out of profits) a salary of £500 per annum, payable monthly, and he was also to be credited with 10% of the profits shown by the P. & L. A/c. before charging his salary or any interest on capital. The remainder of the profits (if any) were to belong to A. (*d*) B. was entitled to draw (with the consent of A.) during the year sums on account of his percentage of profits. (*e*) No interest was to be charged on the drawings of either partner. The entries required by clause (*a*) of the agreement were duly made on 1st Jan., 1913; and during the year ended 31st Dec., 1913, B. drew his agreed salary,

also £50 on accoun tof his percentage of profits. In addition to the amount standing to the credit of A.'s Capital A/c., before the admission of B. as a partner, and the balances represented by the above-mentioned transactions, the balances, stated below, appeared in the books of the firm as on 31st Dec., 1913. **Stock** £4,945 15s. 6d. Prepare Trading, P. & L. A/cs. and Balance Sheet, after taking into consideration the following adjustments :—(i) Depreciate Plant and Machinery 10%, additions made during the year 5%, and Fixtures & Fittings £27. (ii) One quarter's Rent, £75, was owing on 31st Dec., 1913. (iii) Rates and Insurance unexpired, and paid in advance, were respectively £12 6s. 2d. and £10 on 31st Dec., 1913.

Cash at Bank	£490	12	4	Sundry Creditors	£2337	15	9
Cash in hand	14	7	3	Discount A/c. (Cr. Bal.)	8	–	3
Fixtures & Fittings	327	–	–	Postage & Stationery	51	12	9
Plant and Machinery (including additions during the year of £97)	4524	12	6	Office Expenses	197	14	7
				Manufacturing Expenses	439	2	1
				Stock, 31st Dec., 1912	5064	4	8
Purchases	17420	14	4	Bad Debts	271	16	–
Sales	31921	10	6	Rent	225	–	–
Carriage Inwards	114	11	11	Bills Payable	1324	10	–
Carriage Outwards	246	14	5	Rates, Taxes & Insurance	127	2	10
A. Drawings A/c.	1275	–	–	Fuel & Power	102	4	7
Manufacturing Wages	5426	10	–	Lighting & Heating	49	6	4
Office Salaries	641	16	8	Purchases Returns	987	14	1
Sundry Debtors	8942	14	10	Sales Returns	1326	12	6

Answer.—*Gross Profit*, £8063 4 7; *Net Profit*, £3754 19 6; *Total of B/S.* £23792 16 4.

ROYAL SOCIETY of ARTS. (*Advanced, May*, 1915.)

1. The Income of George Gordon for the fiscal year 1913-14, was as follows :—Interest from £60,000 2½% Consols ; Interest from £5000 4% Mortgage on Freehold Property ; Directors' Fees £1500 ; Literary Profits £384 ; Mrs. Gordon's income was £400 (gross). Mr. Gordon owns the lease of the house he lives in, which is assessed under Sch. A. at £200, and is subject to an annual ground rent of £20. He pays £360 per ann. Life Insurance Premiums. Upon what amount is G. Gordon liable to the Inland Revenue for Super-Tax ; and what would he have to pay ?

2. It has been stated, in connection with the double-account system, that the Capital expenditure of Parliamentary Companies must always remain in the a/cs. at the original cost, no adjustments being permitted. Criticise this statement, and explain how the wastage of assets may be provided for.

3. Flotations Limited owed £300 to its printer, Charles Shaftesbury. The Company held 5000 fully paid Ordinary Shares of £1 each in Killarney Ltd., a subsidiary company, and offered 300 of them to Shaftesbury in discharge of his debt. The offer was accepted. The Killarney shares were valued in the books of Flotations Ltd. at 15s. per share. Show the Journal entries to record the above transaction in the books of Flotations Ltd. Ignore the question of transfer expenses.

4. Charles Testout, a colliery proprietor, leased the Leys Colliery to Oliver Rose. Under the Lease, a royalty of 6d. per ton was payable on all coal raised. The annual minimum rent was agreed at £1500, with power to recoup shortworkings during the first four years. The Coal raised was as follows :—1st year 42000 tons ; 2nd year, 43000 tons ; 3rd year, 50000 tons ; and 4th year, 64000 tons. Record the above in O. Rose's books.

Ex. The Wilson Manufacturing Company, Ltd., was formed with a nominal Capital of £25000, divided into 25000 Shares of £1 each, to acquire the business of Thomas Wilson as a going concern. On Dec. 31, 1913, the date on which the Company took over the business, Wilson's Capital A/c. stood at £10000, and it was agreed that he should receive £5000 in cash and £10000 in fully paid shares. All the Preliminary Expenses were to be paid by the Vendor. These arrangements were duly carried out. The remaining Shares were offered to the public, and 12000 Shares were subscribed for and allotted, and on Dec. 31, 1914, 10s. per Share had been called up. On July 1, 1914, £5000 4% Debentures were issued and subscribed at a discount of 5%. These Debentures were repayable at par on June 30, 1920. On Dec. 31, 1914, the following balances, in addition to those represented by the above transactions, appeared in the books of the Company :—Prepare a Trading and P. & L. A/c. for the year ended Dec. 31, 1914, and a B/S. as on that date. (*a*) Depreciation of Plant and Machinery and on Furniture and Fittings is to be written off at the rate of 10%, (*b*) £13 7s. 4d. is to be carried forward as representing the amount of Insurance unexpired, (*c*) the amount included in Fuel, Power and Lighting as being the amount chargeable for Lighting and Heating the offices of the Company is to be taken at £26, (*d*) the Bad Debt Reserve is to be increased to an amount equivalent to 5% on the Sundry Debtors, (*e*) **Stock** on Dec. 31, 1914, £4906 15s. 9d.

Calls in Arrear	£75	–	–	Sundry Debtors	£6774	8	2
Freehold Land & Buildings	4500	–	–	Directors' Fees	150	–	–
Plant and Machinery ..	1642	7	6	Stock (Dec. 31, 1913)	5217	15	6
Rates and Taxes	192	4	5	Cash at Bank	2370	14	5
Office Expenses	262	16	11	Cash in hand	27	4	2
Furniture and Fittings	902	10	–	Discount A/c. (excess of dis. received over that allowed)	27	4	1
Carriage Inwards.....	201	4	–				
Carriage Outwards	176	–	4				
Manufacturing Expenses	140	19	3	Bad Debt Reserve (Dec. 31, 1913)	178	2	6
Fuel, Power and Lighting	147	16	9				
Manufacturing Wages..	2646	14	1	Sales	17214	16	4
Salaries	416	13	4	Purchases Returns	176	9	10
Sales Returns.....	421	12	1	Sundry Creditors	2173	15	–
Purchases	10614	12	8	Bills Payable	1407	12	7
Insurance	47	6	2				

Answer.—*Gross Profit* £2933 7 7 ; *Net Profit*, £1187 16 2 ; *Total of B/S.*, £25794 3 9.

ROYAL SOCIETY of ARTS. (*Advanced, June*, 1916.)

1. What are the functions of the "General Ledger" as employed by an Assurance Company ? **2.** Differentiate between

the method of providing for depreciation in the single a/c. system as compared with the double a/c. system. Submit a *pro formâ* B/S. of a Co. working under the latter system.

3. When preparing A/cs. for submission to the Surveyor of Taxes for Sch. D purposes, how would you deal with the following items ?—(*a*) Annual instalment in reduction of a premium paid on a Lease, (*b*) Int. on Cap., (*c*) Profit made on a Stock Exchange speculation, (*d*) Contributions paid under the National Insurance Act, 1911.

4. W. Neil, of Glasgow, and M. Niphetos, of Kavalla, trade in conjunction by means of joint consignments. Profits or losses (including cost of discounting bills) are shared equally. Neil purchases in the U.K. and Niphetos in the Balkans. In both cases, sight bills are drawn for the invoice price of goods purchased. Disbursements are to be settled as and when the accounts of each venture are prepared. On 1st March, 1916, Neil purchased, for cash, hardware goods to the value of £2383 10s. 8d., and paid Freights and Shipping Charges £324 15s. 2d., Insurance £28 10s. 2d., Packing and Sundries £10 8s. 4d. On the same date he drew upon Niphetos and discounted the bill for £2360 4s. 1d. These goods having arrived, Niphetos disposed of them on 12th Apl. for cash £3384 7s. 9d., and incurred the following expenses :—Dock dues and Landing charges £28 7s. 2d., Duty and other exs., £341 7s. 2d. On the same day he honoured Neil's draft. Prepare a statement showing the result of the consignment, and give the entries which would appear in Neil's books.

5. R. J. Ashton & Co., Ltd., was registered with a Nominal Cap. of £20000, divided into 10000 Ord. Shares of £1 each, and 10000 6% Pref. Shares of £1 each. All the shares were offered for public subscription, and 5643 Ord. Shares and 6250 Pref. Shares had been applied for and allotted. Both classes of shares were fully called and paid up, with the exception of 10s. per share on £200 Ord. Shares. These shares were forfeited on 15th Sept., 1915, by resolution of the Directors, and were re-issued on 15th Dec., 1915, to a new holder for a cash payment of 15s. per share. On 30th Sept., 1915, there was an issue of £5000 4% Debs. at 95, repayable in 10 years at par. The whole of these Debentures were applied for and allotted. In addition to the balances represented by the above transactions, the following balances appeared in the books of the Co. on 31st Mar., 1916. Prepare Trading and P. & L. A/cs. for the year ended 31st Mar., 1916, and a B/S. as on that date. (*a*) 10% Depreciation to be written off Plant, Machy., etc. ; (*b*) the Reserve for Bad Debts is to be made equal to a sum representing 5% of the Sundry Debtors ; (*c*) Insurance unexpired on 31st Mar., 1916, (£16) is to be reserved for ; (*d*) B/R., not due until after 31st Mar., 1916, amounting to £672, had been discounted prior to that date ; (*e*) **Stock** on 31st Mar., 1916, was valued at cost price, £5132 18s.

BALANCE SHEET of R. J. ASHTON & CO., LTD., on 31st March, 1916.

Capital & Liabilities.	£ s. d.	£ s. d.	Property & Assets.	£ s. d.	£ s. d.
NOMINAL CAPITAL:—			Freehold Land & Buildings		4714 18 6
10000 Ord. Shares of £1 ea.	10000 — —		Plant, Machinery, &c.	2069 10 —	
10000 6% Pref. Shares.....	10000 — —		*Less* Depreciation 10%	206 19 —	1862 11 —
	£20000 — —		Stock on Hand		5132 18 —
ISSUED & CALLED-UP CAPITAL:—			Sundry Debtors.....	5962 13 4	
5643 Ord. Shares of £1 each	5643 — —		*Less* Reserve for Bad Debts.....	298 2 8	5664 10 8
6250 Pref. " "	6250 — —	11893 — —			
			Bills Receivable.....		419 3 3
Forfeited Shares A/c.		50 — —	Insurance Unexpired .		16 — —
£5000 4% Debentures @ £95, repayable at par		5000 — —	Debenture Dis. A/c. .	250 — —	
Debenture Interest due		100 — —	*Less* Amount written off	12 10 —	237 10 —
Sundry Creditors..... "		1496 6 2			
Bills Receivable under Dis. ..	672 — —		Cash in Bank . .	1977 5 7	
	1978 9 6		Cash in Hand.....	14 9 2	1991 14 9
NET PROFIT for the year ...	696 10 6				
Add Balance from 31/3/15...					
	2075 — —				
Less Preference Div. to 30/9/15 ..... £562 10					
Less Debenture Dis. 12 10	575 — —	1500 — —			
		£20039 6 2			£20039 6 2

Stock (31/3/15)	£4642	14	6
Manufacturing Exs. ...	217	13	4
Directors' Fees	700	—	—
Rates & Taxes	369	14	10
Sundry Debtors	5962	13	4
Legal Exs. & Audit Fee	147	10	—
Res. for Bad Debts (31/3/15)	406	6	7
Bills Receivable.....	419	3	3
Sundry Creditors	1496	6	2
Carr. on Sales	269	14	10
Lighting & Heating ...	62	11	2
Sales	16696	12	10
Sales Returns.....	219	9	5
Freehold Land & Buildings	4714	18	6
Pref. Div. for yr. to Mar. 31st, 1915	375	—	—
Pref. Div. Interim Div.	£187	10	—
Purchases	9755	—	3
Purchases Returns	362	12	5
Salaries	968	4	—
Insurance	59	4	2
Dis. A/c. (excess of dis. recd. over dis. allowed)	29	14	6
Manufacturing Wages..	2614	14	3
Office Expenses	362	12	1
Factory Fuel & Power	95	6	7
Plant, Machy., &c.	2069	10	—
P. & L. A/c. (Credit Bal. Mar. 31st, 1915)	696	10	6
Carr. on Purchases	176	3	9
Cash at Bank	1977	5	7
Cash in Hand.....	14	9	2

ROYAL SOCIETY OF ARTS. (*Advanced May*, 1917.)

1. On 1st Jan., 1916, Rayon d'Or, Ltd., offered for subscription 500 5% Debentures of £100 each at par. List closed 10th Jan., 100 Debentures only being applied for. On 1st Mar., the balance of the issue was offered for public subscription at 98, and 300 Debentures were applied for as on 10th Mar. On 1st July, being in need of funds, the Co. borrowed £5000 from the Bank, with whom they lodged the remainder of the Debenture issue by way of collateral security. Record these transactions in the Co.'s books, and show how they would appear in the B/S. Assume that all the Debentures applied for by the public were duly paid for as on 12th Jan. and 12th Mar. respectively.

2. The prospectus of the 5% War Loan, 1929-1947, announced that applicants were entitled to have their holdings allotted in any of the following forms :—(*a*) Inscribed as Stock, (*b*) Registered as Stock. (*c*) Bonds to Bearer. Explain the meaning of these terms and describe the relative advantages and disadvantages of the three classes of security.

3. Is the ordinary form of Profit & Loss A/c. suitable for employment by a Life Assurance Co. ? If not, explain how the profits of such undertakings are ascertained. **4.** Describe the differences which exist between a Statement of Affairs and a B/S. Give a specimen of the former a/c., and explain how it is prepared.

5. The George Waud Manufacturing Co., Ltd., was registered in 1914 to acquire the business of G. C. Waud & Sons. The Nominal Cap. consists of 50000 shares of £1 each. The following balances were extracted from the books of the Co. as on 31st Dec., 1916. Prepare Manufacturing and P. & L. A/cs. and a B/S. for the year. (*a*) Depreciation at the rate of 10% to be written off Machy. & Plant. (*b*) Loose Tools were re-valued at £2941. (*c*) **Stock** was valued as follows :—Raw Materials £1762, and Partially Manufactured Goods £1936. (*d*) The Reserve for Bad and Doubtful Debts to be made up to a sum equal to 2½% on the net sales. (*e*) £1000 to be transferred to the Reserve Fund.

Goodwill	£10000	–	Discount on Sales	£486	–
Share Cap. A/c.	40410	–	Interim Div. paid	1010	10
Final Call A/c. (Debit Bal.)	500	–	Office Salaries	1784	–
Machy. & Plant	9890	–	Factory Power	1264	–
Leasehold Factory	8562	–	Reserve Fund	4000	–
Loose Tools	3220	–	Manufacturing Exs.	972	–
Sundry Creditors	1707	10	Rent & Rates	941	–
Sundry Debtors	5640	–	General Trade Exs.	2171	–
Res. for Bad Debts (31/12/15)	200	–	Directors' Fees	500	–
Manufacturing Wages	8642	–	Royalty for use of Patents	500	–
Purchases	12642	–	Income Tax	481	–
Stock (1/1/16):—			Bad Debts	321	
Raw materials ...£1562			P. & L. A/c. (Credit Bal.		
Partially Manufactured Goods.... 2641	4203	–	31st Dec., 1915)	1040	–
Purchases Returns	821	–	Travellers' Salaries & Exs.	1562	–
Sales	35704	–	Interest on Investments	188	–
Sales Returns	404	–	Transfer Fees	5	–
Investments	5035	–	Cash at Bank	3241	–
			Cash in hand	104	

Answer.—*Gross Profit*, £12096; *Net Profit*, £1404 10; *Balance of Appropriation A/c. for distribution*, £622; *Total of B/S.*, £47239 10.

ROYAL SOCIETY OF ARTS. (*Advanced, May*, 1918.)

1. When preparing a statement showing the liability of Hugh Dickson for Income Tax under Schedule D, how should you treat the following items which appeared in his business P. & L. A/c. :—(*a*) Rents received from the tenants of freehold houses (assessed for Schedule A at £2000), £2500; (*b*) Annual Ground Rent paid on Dickson's Factory, £100; (*c*) Weekly salary (£8) drawn by Dickson from his business, £416; (*d*) Insurance premiums paid for fire (£81), aircraft risks (£31), and policy on Dickson's own life (£102), £214.

2. Is there any difference in principle between the balance of the Capital A/c. of a Company working under the double a/c. system and the Capital A/c. of a Limited Company as shown in the published B/S. ? Submit illustrations in explanation of your answer.

3. State how you would deal with the following items when preparing the a/cs. of a Limited Company :—(*a*) An annual premium of £450 paid to maintain a capital redemption policy to repay £15000 5% Debentures upon maturity; (*b*) Bills under discount amounting to £4680 maturing after the financial year. One bill for £800 will be dishonoured, and is estimated to produce 7/6 in the £; (*c*) £500 drawn by the Managing Director in excess of the salary to which he was entitled under his agreement.

4. The undermentioned item sometimes appears on the liabilities side of balance sheets :—*Sundry Creditors and Credit Balances.* Give examples of two items which such a heading might include. Do you approve of this method of treatment ?

5. The Western Steamship Co., Ltd., was registered in 1915 with a nominal Cap. of £150000, divided into 100000 Ord. Shares of £1 each, and 50000 6% Pref. Shares of £1 each. The whole of these shares were issued and fully paid, with the exception of the final call of 5/- per share on 1000 Pref. Shares, which was unpaid. On 1st Jan., 1917, 1000 5% Debentures of £100 each were issued at 95. These Debentures were repayable at par in 10 equal annual instalments—the first of which was duly paid on 1st Dec., 1917. The following balances appeared in the Company's books on 31st Dec., 1917. Prepare Working and P. & L. A/cs. and a B/S. for the year, after making the following adjustments :—(*a*) The Managing Directors are entitled to 1% commission on the gross freights and passage money earned; (*b*) The Directors decided to pay a war bonus of 5% on the officers' and seamen's wages and office salaries for the year 1917; (*c*) The Debenture interest outstanding on 31st Dec., 1917, has not been provided for: (*d*) The stock of stores, etc. on hand on 31st Dec., 1917, was valued at £8432; (*e*) 10% Depreciation to be written off the steamships; (*f*) 5000 is to be transferred to Reserve Fund.

Steamships	£200000	Office Salaries	£2996
Payments on a/c. of new ships	27427	Rent, Rates & Taxes	1421
Maintenance & Repairs	5340	Advertising	2162
Stock of Stores & Provisions 31/12/16	6248	Sundry Creditors	23432
Stevedoring	21046	Law Charges	341
Freight & Passage Money	216800	Office Expenses	2245
Towage, Pilotage, & Port & Light Charges	29874	Sundry Debtors	32068
Coal & Oil purchases	31868	Reserve for Income Tax	3862
Stores & Provisions purchased	19484	Reserve A/c.	10472
Officers' Salaries & Seamen's Wages	21964	P. & L. A/c. (Cr. Bal. 31/12/16)	7421
Marine Insurance	36894	Cash at Bank	28946
Pref. Div. (½ yr. to 30/6/17)	1470	Cash in hand	1272
Deb. Int. (½ yr. to 30/6/17)	2500	Bills Receivable	9862
Directors' & Auditors' Fees	1200	General Average Claims paid	10241
		Transfer Fees	132

Answer.—*Gross Profit*, £41174 16 ; *Net Profit*, £3124 ; *Balance for distribution*, £4075. *Total of B/S.*, £292507.

ROYAL SOCIETY OF ARTS. (*Advanced, May*, 1919.)

1. What is the object of a Deficiency A/c. in insolvency proceedings ? Submit a specimen of an a/c. in illustration of your answer. **2.** Explain the difference between a Receipts and Payments A/c. and an Income and Expenditure A/c. Illustrate your answer by *pro forma* examples. **3.** Compare and contrast the Balance Sheets necessary in :—(*a*) Private Partnership, (*b*) Private Limited Company, (*c*) Public Limited Company. **4.** Enumerate three items, usually charged in the P. & L. A/c. of a trading firm, which would not be allowed in return of profits assessable for Income Tax under Sch. D.

Exercise. On 1st Jan., 1918, S. Wilson, trading as the Vimy Engineering Co., agreed to take his manager, T. Brown, into partnership. At this date Wilson's Cap. A/c. stood at £5500. The partnership agreement provided that :—(*a*) On 1st Jan., 1918, Wilson should be credited with £500, as representing the value of the Goodwill of the business. (*b*) Brown, instead of paying in cash capital, should, at the end of each year when profits were ascertained, transfer £500 from his Current A/c. to his Cap. A/c., until the latter a/c. equals that of Wilson ; or, in the event of his share of the profits not reaching £500, then the whole of his share to be credited to his Cap. A/c. (*c*) Each partner should be entitled to draw on a/c. of profits the sum of £6 per week (this was done throughout the year). (*d*) Brown should be credited with 10% of the ascertained net profits at the end of each year (after charging int. on Cap.) for managing the business. (*e*) Partners should be credited with 5% int. on their Cap. A/cs., but that no int. should be charged on drawings. (*f*) Until such time as their Cap. A/cs. were equal, Profits and Losses should be shared as follows :—Wilson two-thirds, Brown one-third ; afterwards they should share equally. Prepare Trading and P. & L. A/cs. and a B/S. for the year. (*a*) Provision is to be made for two days' wages, £38 9s. 4d. (*b*) **Stock** and work in progress on 31st Dec., 1918, £3293 9s. 8d. and £1622 10s. 6d. respectively. (*c*) Reserve for Bad and Doubtful Debts

2½% on the Sundry Debtors. (*d*) Plant, Machinery & Tools £2890. (*e*) £65 4s. 2d. was due to the Firm's Bankers for Int. on Loan and Overdraft. (*f*) £25 8s. was to be carried forward for unexpired insurances. Balances on 31st Dec., were :—

Manufacturing Expenses	£2001	8	4	Disc. A/c. (Cred. Bal.) ..	£42	6	1
Trade Expenses	1010	10	6	Plant, Machy. & Tools..	3105	9	–
Wages	8605	15	–	Stock (1st Jan., 1918) ..	2620	8	9
Rates, Taxes & Insce. ..	390	8	4	Purchases Returns	280	18	4
Salaries	450	–	–	Sales Returns.....	106	16	3
Freehold Premises.....	3000	–	–	Bank Overdraft	116	9	1
Purchases	14603	2	1	Loan by Bankers	2000	–	–
Sales	29604	–	5	Sundry Creditors	8543	16	4
Carriage & Delivery Exs.	2108	17	2	Cash in hand	18	6	4
Bad Debts	53	3	8	Sundry Debtors	7389	4	10

Answer.—*Gross Profit*, £6824 19 2; *Net Profit*, £2114 5 10; *Balance of Profit*, *Wilson*, £1268 11 6, *Brown*, £634 5 9; *Total of B/S.*, £18554 4 9.

ROYAL SOCIETY OF ARTS (*Advanced, May*, 1920).

1. The following transactions appeared in the a/cs. of the Realistic Picture Theatre Co., Ltd. :—(*a*) A bonus of £50000 was distributed amongst the shareholders in the form of 50000 fully paid shares of £1 each. (*b*) A sum of £1000 was debited to P. & L. A/c. as "Dilapidations Reserve," and separately invested. This amount represented 1/5th of an agreed sum of £5000 due under a lease expiring 5 years hence. (*c*) £187 had been received during the year as interest on a Deposit A/c. at the Bank, and credited to the P. & L. A/c. (*d*) £200 had been paid for a new piano to replace one purchased 12 months ago but now worn out. The cost of the new piano had been debited to P. & L. A/c. less £30 received for the old instrument. To what extent, if any, do the above transactions affect the Co's Return for liability for Income Tax under Schedule D ?

2. Briefly describe the procedure necessary for the forfeiture of shares. Submit *pro formâ* entries recording the forfeiture of 500 shares of £1 each, upon which 5/- only had been paid, and the re-issue of the shares to a new member for a cash payment of 17/6 per share.

3. The Nominal Cap. of Crawfords, Ltd., consisted of 250000 shares of £1 each, of which 200000 had been fully paid up. In order to bring the book value of their assets more in accord with present day values, the Company decided :—(*a*) To add £20000 to the Plant & Machy. A/c. (*b*) To add £15000 to the Freehold Factory A/c. (*c*) To add £15000 to the Goodwill & Trade Marks A/c. (*d*) To issue the balance of the Ordinary Share Cap., amounting to £50000, as a bonus of 1 fully paid share of £1 for each 4 shares held. Record the above in the Company's books. **4.** Explain the difference, if any, between the terms "Depreciation," "Wear and Tear," and "Fluctuation in Value," as applied to the assets owned by a manufacturing firm.

5. The East Anglian Hotel Co., Ltd., was formed to purchase an old established hotel, and was registered with a capital of £110000 :—50000 Ord. Shares of £1 each, 50000 7% Cum. Pref. Shares of £1 each, and 10000 Deferred Shares of £1 each. The whole of the Deferred Shares were issued to the Vendors as the purchase price of the Goodwill. The Ordinary Shares were issued at par, and the Pref. Shares at a premium of 2/6 per share. Both classes were fully subscribed and paid up, except that the final call of 5/- per share upon 1000 Pref. Shares remained unpaid as on 31st Decr., 1919. On 1st July, 1919, 200 6% Debentures of £100 each, repayable at par in 10 years, were issued at 95, and were paid up. The following balances were extracted on 31st Decr., 1919. Prepare Trading and P. & L. A/cs. for the year, and a B/S., after making the adjustments :—(*a*) The Debenture Interest due on 31st Decr., 1919, had not been passed through the books. (*b*) As on 31st Decr., 1919, the following amounts were outstanding and had not been provided for :—Wages, £126 ; Salaries, £52 ; Excess Profits Duty, £2461. (*c*) Insurances paid in advance amounted to £148 as on 31st Decr., 1919. (*d*) Depreciation is to be provided as follows :—Furniture & Fittings, 15% ; Motor Omnibuses, 20%. (*e*) Stock of Wines, Spirits and Provisions on hand, £7221. (*f*) £200 is to be written off the Debenture Dis. A/c. and £400 off the Preliminary Exs. A/c. (*g*) £7500 is to be carried to a Reserve A/c.

Freehold Hotel	£134400	Motor Omnibuses	£2400
Furniture & Fittings	22800	Advertising	1575
Preliminary Exs. A/c.	800	Discount A/c (Credit Bal.)	342
Purchases :—Provisions	38726	Omnibus Receipts	1284
Wines, Beer & Spirits	22462	Transfer Fees	5
Sundries	624	Stock (1/1/19)	5986
Wages of Waiters & Hotel Staff	8986	P. & L. A/c. (Credit Bal., 1/1/19)	13842
Office Salaries	827	Sundry Creditors	1869
Hotel Takings	99861	Sundry Debtors	798
Laundry Expenses	1794	Directors' Fees	500
Bar Takings	12842	Cash at Bank	4864
Billiards Takings	416	Cash in hand	897
Carriage Inwards	347	Pref. Share Div. for ½ yr. to 30th June, 1919	1750
Laundry Receipts	1912	Rates, Taxes & Insurance	2162
Sundry Working Expenses	1296	Bad Debts	96
Coal & Lighting	842		
Repairs to Furniture, &c.	2441		

ROYAL SOCIETY OF ARTS. (*Advanced, May,* 1921.)

1. George McArthur and Arthur Hadley were equal partners. McArthur died on 30th Decr., 1919. Accounts were prepared at the close of the financial year (31st Decr.), when it was found, after ascertaining and crediting the profit for 1919 in the ordinary way, that the Partners' Accounts stood as follows :—McArthur, Cap. A/c., £8000 ; Current A/c. (Credit Bal.), £962. Hadley, Cap. A/c., £7000 ; Current A/c. (Credit Bal.), £852. It was agreed with McArthur's Executors that the value of the Goodwill, which had not hitherto appeared in the books, should be fixed at £3000, and that the assets and liabilities should be reviewed.

Valuations were made with the following results :—The Book value of the Plant & Machy. was reduced by £500 ; Reserve for Bad Debts was found to be excessive by £200 ; Stock was undervalued by £350 ; Sundry Creditors were overstated by £670 ; and Patents (Book Value, £300) were held to be of no value. Submit the Partners' A/cs. as they would appear in the Revaluation Balance Sheet.

2. Briefly describe the records which should be kept of the wages paid in a manufacturing business in order that they may be readily available for costing purposes. 3. John Smith, who is employed by a City Co., and is assessed under Sch. E, receives a salary of £600 per ann. His only other income is derived from £4000 invested in Eldorado R. Co. 5% Debentures, the int. upon which is paid less tax. Smith is married and has one child, who is 8 years old. His wife has no income. Prepare statement showing Smith's liability for Income Tax, and amount of tax payable.

4. A. B. & Co., of London, possess several branch shops. A weekly sum is remitted to meet salaries and expenses. All goods are supplied from the Head Office, and no local purchases are permitted. All receipts are banked locally as and when received, and the Local Managers have no power to draw upon these banking accounts. The bulk of the sales are for cash, but a few credit sales are also effected, and are collected locally when due. Submit a form of weekly branch return suitable to furnish the Head Office with all the necessary information.

5. The Lotus Tobacco Co., Ltd., with a Nominal Capital of £200,000, divided into 200000 shares of £1 each, purchased, on 31st Decr., 1918, the business of the late J. B. Clark from the Executors. The assets and liabilities taken over were as follows :—Stock, £63500 ; Book Debts, £21890 ; Investments : Smyrna Tobacco Co., Ltd., £1000 ; Latakia, Ltd., £800 ; Furniture, £350 ; Warehouse (Leasehold), £3400 ; Sundry Creditors, £12860. Under the purchase agreement the new Co. was to pay the liabilities and to take over the assets at the book values set out above. The purchase price was agreed at £85000, payable by the issue to the Executors of 85000 shares of £1 each, fully paid. Of the remaining Cap., 100000 shares were offered to the public and were fully subscribed and allotted. On 31st Decr., 1919, 15/- per share had been called up and paid. The holder of £1000 shares had paid up his shares in full. The following balances appeared in the Co's books as on 31st Decr., 1919. Prepare Trading and P. & L. A/cs. for the year, and a B/S., after making the following adjustments :—(*a*) The item " Purchases " includes Expenditure, amounting to £2000, upon the warehouse, which amount the directors decided to capitalise. (*b*) £200 is to be written off the Preliminary Exs. A/c. (*c*) The shareholder whose calls are paid in advance is entitled, under the Articles, to £5 interest. (*d*) The following valuations were made :—Smyrna Tobacco Co., Ltd., shares £500 ; Furniture, £300 ; Motor Lorry,

£1250; Stock, £71472. (*e*) Unexpired Insurance (Warehouse £36? is to be carried forward. (*f*) Interest at 7% for the three months ended 31st Decr., 1919, on the Bank Loan was due, but no entries had been made.

Directors' Fees	£1500	Sales	£191811
Office Salaries	2141	Sundry Drs. (excluding Debts taken over)	55404
Warehouse Salaries	1432	Sundry Crs. (excluding Liabilities taken over)	7242
„ Rent & Rates	984	Bills Payable	1821
Office Rent & Rates	578	Bank Loan	50000
Warehouse Expenses	2146	Smyrna Branch (Debit Bal.)	62832
Carriage & Freight Inwards	3842	Discount A/c. (Credit Bal.)	326
„ „ Outwards	981	Cash at Bank (Current A/c.)	8762
Travellers' Exs. & Comm.	4295	Cash in Hand	488
Office Exs.	521	Motor Lorry	1800
Bank Charges & Interest	1286	Insurance (Warehouse)	1286
Warehouse Lighting	121	„ (Office)	12
Preliminary Exs.	680	Bills Receivable	28644
Purchases	103851		
Duty Paid	42864		

Answer.—*Gross Profit*, £45619; *Net Profit*, £32451; *Total of B/S.*, £265504.

ROYAL SOCIETY OF ARTS. (*Advanced, May*, 1922.)

1. Assume that an efficient system of Cost A/cs. is in operation in a manufacturing business of your own selection, and describe the items you would allocate (*a*) To Works, or Shop, on-cost; and (*b*) To Office on-cost. **2.** The Capital of Christines Ltd., consisted of £100000, divided into 40000 8% Pref. Shares of £1 each and 60000 Ord. Shares of £1 each. The whole of this Cap. was fully paid up. The profits of the Co. for the year ended 31st Decr., 1920, amounted to £18782. The Directors decided to allocate this profit as follows:—(*a*) To pay the Pref. Div. due for the year. (*b*) To pay a div. of 10%, free of tax, on the Ord. Shares. (*c*) To open a Reserve A/c. and transfer £5000 thereto. (*d*) To carry forward the balance to next year. Give the entries necessary to record this decision in the books of the Co.

3. Under what schedules are the following incomes assessable:—(*a*) B. C. is a farmer, and made a profit from his farm, for the year 1920, of £680. (*b*) D. E. is a motor-cycle manufacturer, and the profit of his business for the year 1920 amounted to £3286. (*c*) F. G. is secretary to a public Limited Co., and his salary is £850 per ann. Assume, in each case, that the taxpayer possessed no other source of income. **4.** What is a mortgage? What records are necessary in the case of a Limited Co. which has mortgaged its freehold property?

5. Marcella Film Producers, Ltd., has a registered capital of £100000:—90000 10% Cum. Pref. Shares of £1 each, and 10000 Deferred Shares of £1 each; 75000 of the Pref. Shares were issued and paid up, except that the final call of 5/- per share on 1200 shares remained unpaid on 31st Decr., 1920. The whole of the Deferred Shares were issued to the promoters as fully paid as the purchase price of the goodwill. After providing for the fixed dividend payable on the Pref. Shares, the remaining net profits

are divisible as to 75% to the Pref. and 25% to the Deferred Shares. On 1st July, 1920, 200 8% Debentures of £50 each were issued and paid up. No int. had been provided for in the books as on 31st Decr. The following balances were extracted on 31st Decr., 1920. Prepare a Studio Working A/c., a P. & L. A/c. and a B/S., after making the adjustments. Also prepare a statement showing how the net profits are divisible. (*a*) Depreciation must be provided as follows :—Electrical plant, 20% ; photographic plant, 10% ; leasehold studio, 3% (on initial cost) ; office furniture, 5%. (*b*) The following valuations were made on 31st Decr. :—Motor cars and travelling plant, £4480 ; scenery and stage effects, £8960 ; stock of films, £18462 ; stock of materials, £3764. (*c*) The reserve for Bad Debts is to be made up to £3500. (*d*) Studio wages accrued due but not provided for amounted to £94. (*e*) Unexpired Insurance (Studio), £52, is to be carried forward to next year. (*f*) £500 is to be written off the expenditure on Films not yet completed, and the balance c/f. to next year.

Leasehold Studio (initial cost).	£41500	Hire of Costumes & Properties	£2765
Expenditure thereon during 1920	2364	Motor Cars & Travelling Plant	5640
Salaries of Artists	15852	Sundry Creditors	16584
Travelling & other Exs. of Artists	3246	Sundry Debtors	36840
Studio Wages & Expenses	5240	Bank Overdraft	5850
Electrical Plant	4450	Cash in hand	1046
Photographic Plant	1900	Office Salaries	2178
Stock of Films (31/12/19)	22042	Directors' Fees	2000
Stock of Materials (31/12/19)	4480	Office Expenses, Rates, &c.	789
Scenery & Stage Effects	10500	Transfer Fees	62
Expenditure on Films not yet completed	10846	Travelling Expenses (Office)	221
Sales	86212	Discount allowed	276
Allowances made for Faulty Films	360	Bad Debts	1500
Purchases (Films)	9000	Bad Debts Reserve (31/12/19)	2000
Purchases (Materials)	10261	Office Furniture	680
Purchases (Materials) Returns	342	Carriage Inwards	362
		Expenses of Trade Shows	421
		Insurance (Studio £221, Office £20)	241
		Rents recd. for Hire of Studio	1250

Answer.—*Gross Profit*, £35659 ; *Net Profit*, £21357 ; *Total of B/S.*, £138985.

STUDIO WORKING A/c. of Marcella Film Producers, Ltd.,
Dr. for the year ended 31st December, 1920. Cr.

	£	£	£	£
To Stock of Films	22042	By Sales	86212	
„ Stock of Materials	4480	„ *Less* allowances made for faulty Films	360	
„ Purchases—Films	9000			85852
„ Purchases—Materials £10261				
Less Returns 342				
	9919	„ Rents recd. for hire of Studio		1250
„ Salaries of Artists	15852	„ Stock of Films		18462
„ Studio Wages & Exs. (£94 accrued)	5334	„ Stock of Materials		3764
„ Travelling Exs., &c., of Artists	3246			
„ Hire of Costumes & Properties	2765			
„ Carriage Inwards	362			
„ Insurance of Studio	169			
„ Expenditure on Films not yet completed written off	500			
„ GROSS PROFIT to P. & L. A/c.	35659			
	£ 109328		£	109328

ROYAL SOCIETY OF ARTS. (*Advanced, May,* 1923.)

1. When preparing the Annual A/cs. of a London Business having Provincial Branches, you find that the Current A/cs. of the Head Office and the Manchester Branch do not agree. The difference arises from the fact that (*a*) Cash from Manchester (£585) remitted on Dec. 30th, was not received until Jan. 1st, and (*b*) Goods (£321) invoiced and despatched to Manchester on Dec. 28th had not arrived as on Dec. 31st. Give the adjustments necessary to reconcile the a/cs. **2.** Give two "closing entries" which you would expect to find in books of a Bank and two in those of an Insurance Co. Explain the meaning of the entries you select and the sources from which the necessary materials would be derived. **3.** Give alternative methods of paying wages in a manufacturing business. Describe, and illustrate by forms, the best method of recording Wages for Costing purposes when paid under the methods you describe. **4.** Describe the steps you would take to ensure that proper provision had been made for Bad and Doubtful Debts when preparing the Annual A/cs. of a commercial concern.

5. On Jan. 1st, 1922, John Laing, a Cigarette Manufacturer, converted his business into a private Limited Co. under the style of J. Laing & Co., Ltd. The Nominal Cap. of the Co. consisted of 65000 Shares of £1 ea.; 50000 of these Shares were issued as fully paid to J. Laing and his nominees as the purchase price of the business. During the year 1922, £5000 was advanced by J. Laing as a loan to the Co. at 6%, and was secured by the issue of £8000 5% Debentures as collateral. In addition to the above the following balances appeared in the Co's books as on Dec. 31st, 1922. Prepare Manufacturing and P. & L. A/cs. for year ended Dec. 31st, and a B/S. (*a*) Depreciation: Machinery & Plant, 20%; Additions to Machinery & Plant, 10%; Furniture and Fittings, 20%. (*b*) Carry forward to next year, 20% of Advertising, two-thirds of Preliminary Exs., and half the Removal Exs. (*c*) Reserve £2000 for Bad and Doubtful Debts and 10% of the Sundry Debtors for Discounts. (*d*) Wages £424, and Office Salaries £78, had accrued due as on Dec. 31st. Management Exs. paid in advance amounted to £187. (*e*) Stock £62974. Motor Lorries valued at £1120.

War Loan (5%)	£506	Office Expenses	£224
Machinery & Plant	7870	Advertising	30000
„ (Additions during year)	3680	Motor Lorries	1795
Purchases	124621	Carriage Outwards	2048
Purchases Returns	2841	Management Exs., Interest, &c.	1967
Clearing & Dock Charges	584	Travellers' Salaries & Comm.	5026
Duty on Tobacco	212622	Interest on War Loan	14
Freight & Carriage Inwards	740	Machinery sold during year	200
Stock (Dec. 31st, 1921)	48961	Directors' & Auditors' Fees	1200
Furniture & Fittings	1875	Office Salaries	2142
Manufacturing Wages	14864	Discount A/c. (Debit balance)	8764
Machinery Repairs	638	Removal Expenses	1264
Cash in hand	68	Bad Debt Res. (31/12/21)	1268
Tobacco Licence	11	Motor Maintenance Expenses	584
Sales	410129	Sundry Creditors	17898
Sales Returns	4842	Sundry Debtors	17840
Electric Power	358	Bank Overdraft	5682
Rent, Rates & Water (Factory, £750; Office, £120)	870	Bills Payable	3865
		Preliminary Expenses A/c.	933

Answer.—*Gross Profit,* £64638; *Net Profit,* £14366; *Total of B/S.,* £97313.

ROYAL SOCIETY OF ARTS. (*Advanced, May,* 1924.)

1. Briefly explain the information contained in the undermentioned registers as employed by Limited Companies :— Register of Mortgages & Charges ; Transfers ; Probates & Administrations ; Balance Certificates. Submit the ruling of one only of these registers, and make a specimen entry therein. **2.** A Limited Co. borrowed £15000 from its bankers secured by the issue of 200 6% debentures of £100 ea. No other debentures had been issued. State how the above position should appear in the Co's B/S. **3.** Briefly describe the undermentioned methods of paying wages, and discuss their advantages and/or disadvantages from a costing point of view :—(*a*) Time basis. (*b*) Piece work. (*c*) Bonus or premium system. **4.** Briefly describe any exemption, abatement, or relief to which the taxpayer is entitled when assessed for income tax liability. Are Limited Co's entitled to the privileges you describe ? **4a.** When incorporating the T.B. of a foreign branch in the head office books how would you convert :—(*a*) The fixed assets ; (*b*) Remittances from head office ; (*c*) Sundry debtors ; (*d*) Balance of P. & L. A/c. ?

5. G. Emblem is a motor car and cycle dealer, dividing his business into two departments, viz. : Motors (M), and Cycles (C). On March 31st, 1924, the balances below were extracted from the books. Prepare Trading and P. & L. A/cs. in columnar form for year ended Mar. 31st, 1924, and a B/S. The profit and loss items are to be apportioned as to ⅔rds to "M" dept., and ⅓rd to "C" dept. (*a*) On Mar. 31st, valuations were made : Stock, "M," £10726 ; "C" £2010 ; Motor lorries, £1700 ; Loose tools, £1000. (*b*) Depreciations : Machinery & Plant, 15%. Office furniture, 10%. Workmen's wages (M dept.), £121 had been paid for time in making loose tools and wages £46 (C dept.) had been paid to an injured workman on behalf of an Employers' Liability Insurance Co., by whom it was still owing. (*c*) Insurance was paid in advance as follows : "M" dept., £181 ; "C" dept., £56. (*d*) £100 apprentices' fees (M dept.) to be carried to next year as fees received in advance. (*e*) Int. on capital at 5% is to be charged, but no int. on drawings. (*f*) An amt. equal to 5% on Sundry Debtors for bad and doubtful debts.

Stock (31/3/23) (M, £12812 ; C, £3210)	£16022	Sundry Debtors	£9780
Purchases (M, £22714 ; C, £9222)	31936	Sundry Creditors	14941
Workshop Wages (M, £3218 ; C, £924)	4142	Sales (M, £33892 ; C. £12225).	46117
Workshop Rent & Rates (M, £850 ; C. £250)	1100	Purchases Returns (M, £1281; C, £191)	1472
Workshop, Power, Light and heating (M,.£621 ; C, £182)	803	Sales Returns (M, £842 ; C, £47)	889
Travellers' Salaries & Com.	4683	Apprentices' Fees (M, £400 ; C, £100)	500
Office & Showroom Salaries..	3846	Insurance, Workshop (M,£1842; C, £421)	2263
Office & Showroom Expenses	1242	Motor Lorries.....	1880
		Interest & Bank Charges	873
		Office Furniture.....	560

Workshop Expenses (M, £1262 ; C, £341)	1603	Carriage Inwards (M, £1082 ; C, £296)	1378
Capital A/c. (31/3/23)	30000	Distribution & Advt. Expenses	5895
Leasehold Workshop & Offices	3264	Office & Showroom Rent & Rates.....	585
Additions to Workshop	1862	Bills Payable	1526
Machinery & Plant	5740	Drawings A/c. (G. Emblem) ..	1000
Loose Tools (31/3/23)	1282	Cash in hand	137
Bad Debt Reserve (31/3/23)	678	Bank Loan	10000
Discount A/c. (Credit Balance)	372		
Income Tax & Excess P.D,..	2841		

Answer.—*Gross Profit*, "*M*" *Dept.*, £958 ; *Gross Loss*, "*C*" *Dept.*, £365 ; *Net Loss*, "*M*" *Dept.*, £13678, "*C*" *Dept.*, £7733 ; *Total of B/S.*, £35656.

ROYAL SOCIETY OF ARTS. (*Advanced, May*, 1925.)

1. What is a partnership ? State the advantages to be derived by keeping separate Capital and Current A/cs. for the partners in a firm. Submit a *pro formâ* Current A/c. showing :—(*a*) Drawings and Interest thereon, (*b*) Interest on Capital, (*c*) Partnership Salary, and (*d*) Share of Profits. **2.** In a Manufacturing business, where all labour is paid on a time basis, describe how you would (*a*) check the time worked by the men and (*b*) deal (for Costing purposes) with the wages paid. Submit the ruling of the time sheet you would issue to the workmen.

3. A. and B. are partners, but no details have been agreed between them, verbally or by deed, other than the fact that profits are to be shared equally. At the close of the year 1924, B. prepared the following Profit & Loss A/c. :—

To 5% Interest on Capital :—		By Balance from Trading A/c.	£1885
A.....£250			
B..... 150	£400		
„ Salary, B.	200		
„ Int. at 5% on Loan from A.	75		
„ Balance carried down	1210		
	£1885		£1885
To A. ½ Share	605	By Balance brought down....	1210
„ B. ½ Share	605		

If you do not approve of this A/c., amend it.

4. Blanks, Ltd., propose to open a number of retail Tobacco shops throughout the provinces. These shops are to be stocked from a central warehouse in London. Suggest a method of charging out goods to the Branches which will afford an efficient check upon the local managers.

5. Hugh, George and Arthur Dickson are proprietors of a Provincial Newspaper, and also undertake general printing. Prepare Trading and P. & L. A/cs. for the year ended Dec. 31st, 1924, and a Balance Sheet. Take into consideration :—(*a*) Six months' interest at 6% per ann. is due on the Loan from Hugh Dickson, but has not been provided for. (*b*) Arthur Dickson is entitled to be credited with a partnership salary of £300 per

annum at the close of each year. (*c*) The partners share profits in proportion to their Capital. Int. on drawings is to be charged to the brothers as follows : Hugh, £72 ; George, £21 ; Arthur, £22. Int. on Capital at 5% is to be provided for. (*d*) Depreciation is to be provided as follows : Machinery & Plant, £5000, at 15% (as representing Monotypes) and the balance at 10%. Delivery Vans, 20%. Furniture & Fittings, 5%. (*e*) £500 is to be written off the Sundry Debtors as bad and the Provision as made last year is to stand. (*f*) Expenses paid in advance : Insurance (Works), £18. Advertisement Exs., £150. Rates (Works), £61. Expenses owing : Electric Light (Works), £22. Wages, £72. Literary Contributions, £42. (*g*) Stock, £549. (*h*) £495 of the Advertising Receipts represents payments received in advance of 1925 advertising. The following were the balances on 31st Dec., 1924 :—

Capital (Hugh 5/8ths, Geo. 2/8ths, Arthur 1/8th)	£28000	Sales Returns & Allowances	£1296
Drawings (Hugh £2100, Geo. £650, Arthur £700)	3450	Furniture & Fixtures	840
Current A/cs. Dec. 31, '23 (Hugh, Cr. £724 ; Geo., Cr. £138 ; Arthur, Dr. £92)	770	Machinery & Plant	8840
Wages, Printing Works	3264	Delivery Vans	2280
Cost of Literary Contributions	874	Loan from Hugh Dickson	5000
Cost of Illustrations & Blocks.	127	Sundry Debtors	6840
Reporters' Salaries	2284	Sundry Creditors	5358
Office Salaries	1876	Purchases (Paper, £3872 ; Ink, £124 ; Sundries, £297)	4293
Printing Works Expenses	1972	Interest A/c. (Debit balance)	163
Rent & Rates (Works, £600 ; Office, £264)	864	Stock, Dec. 31st, 1923	762
Fuel & Power	497	Bad Debt Res., Dec. 31st, 1923	400
Lighting & Heating (Works, £174 ; Office, £36)	210	Cash in hand	875
Newspaper Sales	18325	Advertising Receipts	3796
Job Printing Receipts	2941	Office Expenses	849
Purchases Returns	128	Cash at Bank	1876
Copyrights & Goodwill	19315	Machinery Repairs	261
		Insurance (Works, £142 ; Office, £62)	204
		Waste Paper sold	46
		Advertisement Expenses	652

Answer.—*Gross Profit*, £7553 ; *Net*, £1068 ; *Total of B/S.*, £39317 10s.

LONDON CHAMBER OF COMMERCE. (*Senior*, 1917.)

1. The following particulars have been extracted from the B/S. of Soleil d'Or, Ltd., as on 31st Dec., 1915 :—Capital—

Nominal :	10000 5% Pref. Shares of £5 each	£50000
	100000 Ord. Shares of £1 each	100000
Issued :	5000 5% Pref. Shares of £5 each	£25000
	50000 Ord. Shares of £1 each	50000

Reserve Fund £20000 ; P. & L. A/c. (Balance) 12000

During the year 1916, Resolutions were passed as follows :—(1) Converting the Pref. Shares into Pref. Shares of £1 each. (2) Declaring a bonus of 20% on the Ord. Shares to be provided as to £6000 out of the Reserve Fund, and as to the remainder out of the Balance of P. & L. A/c. The bonus to be satisfied by the issue of one fully-paid Ord. Share for every five Ord. Shares

held. Give the journal entries for the above Resolutions, and show how they would affect the B/S. of the Co. as on 31st Dec., 1916. Assume that the profit for 1916 amounted to £4000.

2. George and Hugh Dixon, who are equal partners, own the freehold of the factory in which their business is carried on. Owing to improved railway facilities in the neighbourhood in which the works are situated, property has increased in value. The factory cost £10000, at which figure it stands as an asset in the books of the firm. A recent valuation values the property at £15000, and the brothers Dixon record this new valuation in the books in place of the cost price. Give the entries and state your opinion as to the wisdom of the procedure.

3. In the B/S. of a Bank recently published in the Press, the undermentioned item appeared on the credit side of the statement :—Liabilities of Customers for Acceptances as per contra, £7,220,780 12s. 2d. Explain the meaning of this item.

4. When preparing the return of a private firm for income tax purposes under Schedule D, how should you deal with the undermentioned items :—(*a*) £100 annuity to widow of deceased book-keeper. (*b*) £22 8s. 6d. int. paid to Bank for a short loan (3 months). (*c*) £105 donation to the National Relief Fund. (*d*) £485 Income Tax Schedule D. (*e*) £26 rent recd. from part premises sub-let to weekly tenant.

5. The Soupert Manufacturing Co., Ltd., was registered in 1914, with a Nominal Cap. of £100000, divided into 50000 Ord. Shares of £1 each, and 50000 5% Pref. Shares of £1 each. As on 31st Dec., 1916, each class of share had been called up to the extent of 10s. per share (viz., 5s. on application and allotment, and 5s. first call). On the same date the following balances appeared in the ledger :—Ord. Share Cap., £22000 ; Pref. Share Cap., £14000 ; Stock, 31st Dec., 1915, £3786 ; Sundry Debtors, £9500 ; Ord. Shares 1st Call A/c., £500 ; Leasehold Land & Works, £4000 ; Rent, Rates, Gas & Water, £792 ; Cash in hand, £281 ; Cash at Bank, £3594 ; Transfer Fees, £10 ; Machy. & Plant, £16850 ; Sundry Creditors, £3526 ; Manufacturing Wages, £7892 ; Reserve for Bad Debts (31/12/15), £200 ; Loose Tools, £1450 ; Purchases, £15641 ; Purchases Returns, £341 ; Sales, £33261 ; Sales Returns, £151 ; Int. recd. on Investments, £162 ; Discount A/c. (credit bal.), £341 ; Preliminary Exs. A/c. (bal.), £672 ; Investments, £3000 ; Office and Management Salaries, £1824 ; Div. A/c. (Pref. Shares, ½ year to 30th June, 1916), £350 ; Factory Power, £871 ; P. & L. A/c. (credit bal. 31/12/15), £1060 ; Manufacturing Exs., £794 ; Insurance, £102 ; Income Tax Schedule D., £384 ; Bad Debts, £146 ; Travellers' Salaries & Exs., £2321. Prepare Manufacturing and P. & L. A/cs. and B/S. for the year ended 31st Dec., 1916, after making the following adjustments :—(*a*) Materials costing £150 were taken out of stock during the year, for the manufacture of loose tools for the use of the Co. The wages for the same purpose amounted to £200 ; (*b*) 10% Depreciation is to be written off the Machy. &

Plant, and 15% off the Loose Tools ; (*c*) The **Stock** on 31st Dec., 1916, was £5242 ; (*d*) The bal. of the Prelim. Exs. A/c. is to be written off ; (*e*) The Reserve for Bad Debts is to be increased to an amount equal to 5% on the Sundry Debtors ; (*f*) The Managing Director is entitled to a commission of 5% on the net trading profit ; (*g*) Transfer £1000 to Reserve A/c.

Answer.—*Gross Profit*, £10059 ; *Net Profit*, £1939 ; *Balance of Appropriation of Profit A/c.*, £1714 1 ; *Total of B/S.*, £41837.

6. Prepare P. & L. A/c. and B/S. for the year ended 31st Dec., 1916, from the following :—31st Dec., 1915. Cap., £3000 ; Creditors, £1500 ; Bills Payable, £200 ; Plant, &c., £300 ; Stock, £1500 ; Debtors, £2000 ; Bills Receivable, £500 ; Cash, £400. Transactions during the year :—Bills accepted, £1700 ; Acceptances paid, £1000 ; Bills received, £900 ; Cash received from Bills Receivable honoured, £1000 ; Cash received from Debtors, £12000 ; Cash paid to Creditors, £8000 ; Discount recd., £200 ; Discount allowed, £500 ; Cash paid for Trade Exs., £3600 ; Cash paid for Plant, etc., £200 ; Debtors as on 31st Dec., 1916, £3000 ; Creditors as on 31st Dec., 1916, £1200 ; **Stock**, £2000.

Answer.—*Gross Profit*, £5300 ; *Net Profit*, £1400 ; *Total of B/S.*, £6500.

7. In preparing the A/cs. of a Limited Co., how would you deal with the following items :—(*a*) £1000 recd. from an Insurance Co. for Stock destroyed by fire ; (*b*) Goods out "on appro." amounting to £50 (cost price £42) which have been passed through the sales book as a sale ; (*c*) £43 paid for Registration of Trade Marks and Designs, and £12 Patent Renewal Fees ; (*d*) Goods valued at £1000 had been shipped at the consignor's risk to America, and insured against all risks. The vessel carrying the goods was torpedoed and the cargo lost. The unaccepted bill with documents attached, drawn on the consignees, had been discounted for £940. The insurance claim had not been settled.

LONDON CHAMBER OF COMMERCE. (*Senior*, 1919.)

1. On 1st Jan., 1916, W. A. Richardson leased a Coal Mine from A. Chatenay for 21 years, at a dead rent of £1000 per ann., merging into a royalty of 1s. per ton, with power to recoup short-workings during the first three years of the lease. The tonnage raised was as follows :—1916, 12800 tons ; 1917, 19800 tons ; 1918, 29800 tons. Up to 31st Dec., 1918, the only payments made on a/c. by Richardson were two in number, viz. : Jan., 1917, £1000 ; Jan., 1918, £800. Prepare the a/cs. in Richardson's books, showing position on 31st Dec., 1918.

2. Select a business in which the employment of the Slip-system of Ledger posting is advantageous, and briefly describe how the system would be operated. 3. What is a "Cost Sheet" ? Select a business, and submit a *pro forma* cost sheet for the information of the proprietor. 4. What is the difference between a "Cumulative" and a "Non-Cumulative" Preference Share ? Does this difference affect the annual a/cs. ?

5. J. B. Clark, a cigarette manufacturer, agreed to take his manager, L. Hillingdon, into partnership on 1st Jan., 1918. The terms agreed were :—(*a*) A goodwill a/c. of £10000 was to be created, and a similar amt. credited to Clark. (*b*) Hillingdon to be entitled to a salary of £400 per ann., to be paid monthly. (*c*) Twelve monthly drawings on a/c. of profits were to be made by the partners ; Clark, £60 per month ; Hillingdon, £20 per month. (*d*) Profits and Losses were to be shared as follows :—Clark, Two-thirds ; Hillingdon, One-third. (*e*) Hillingdon was to pay in £2000 as his capital in the business on 1st Jan., 1919. Balances from the books on 31st Dec., 1918 :—

J. B. Clark, Cap. A/c. 31/12/17	£20000	Purchases, Sundries	£2421
Plant & Machinery	17800	Purchases Returns, Tobacco	1821
Fixtures & Fittings	2400	,, Sundries	106
Rent & Rates of Factory	950	Office Salaries	1694
Lighting (Factory £120, Office £24)	144	Factory Wages	8751
License & Insce. (Factory £300, Office £72)	372	Packing Expenses	1792
Rents & Rates of Office	270	Carriage (Inwards £821, Outwards £940)	1761
Factory Expenses	571	Travellers' Salaries & Exs.	2371
Factory Power	494	Advertising	5000
Office Expenses	124	Stock (31st Dec., 1917)	16841
Sales, Cigarettes	151862	Sundry Creditors	4682
Sales, Shorts & Sundries	2234	Sundry Debtors	22540
Sales Returns, Cigarettes	321	Leasehold Factory	10000
,, Shorts & Sundries	124	Cash at Bank	7240
Purchases, Tobacco	76294	Cash in hand	1070

Prepare Trading and P. & L. A/cs. for the year ended 31st Dec., 1918, and a B/S., after making adjustments :—(*a*) Depreciation to be written off : Machy. & Plant, 10% ; Fixtures & Fittings, 15%. (*b*) Reserve for Bad Debts to be made equal to 5% on the Sundry Debtors. (*c*) A sum equal to 5% of the net profits to be reserved for distribution to the firm's employees. (*d*) **Stock** on 31st Dec., 1918, £17560. (*e*) 50% of the cost of advertising to be carried forward. (*f*) Interest at 5% to be credited to the Partners' Cap. A/cs., but no interest to be charged upon drawings. (*g*) The following amts. were owing at the end of the year : Factory Wages, £68 ; Office Salaries, £35.

Answer.—*Gross Profit*, £62775 ; *Net Profit*, £50418 ; *Balance of Profit, Clark*, £31931 8 ; *Hillingdon*, £15965 14 ; *Total of B/S.*, £87843.

6. Briefly describe a system of book-keeping suitable for the requirements of a Water Co., and submit the ruling of not more than one book employed by Water Companies which presents features not common to those employed by ordinary trading companies. **7.** When George Dickson submitted his a/cs. to the Surveyor for assessment under Sch. D, he was surcharged with the following :—(*a*) Depreciation on Plant & Machy. at 15% was reduced to 5%. (*b*) Loss by traveller's defalcation disallowed. (*c*) Cost of installing electric light in place of gas disallowed. Should you advise Dickson to appeal against any of these decisions ? If so, what steps should he take and what success is he likely to meet with ?

LONDON CHAMBER OF COMMERCE. (*Senior, April*, 1921.

1. Being unable to balance his books as on 31st Dec., 1920, the book-keeper to the X. Y. Z. Co. opened a "Difference in the Books A c." in which he entered the discrepancy. Eventually the following errors were discovered :—(*a*) a cheque drawn for petty cash on 23rd Nov., was entered correctly in the Cash Book as £20, but was incorrectly entered in the P. C. Book as £15. (*b*) £15 9s. 6d., due to A. B., was not included in the Bought Ledger Balances. (*c*) The additions of the Sales Book for Oct. should have been £16242 18s. 11d., but were incorrectly cast as £16342 18s. 11d. (*d*) £5 7s. 6d., goods returned to C. D. on 29th Dec., and correctly entered in the Returns Outwards Book, were not posted in the Ledger. Prepare the "Difference in the Books A c." as opened by the book-keeper, and show how the above errors should be dealt with in order to close the account.

2. Your employer has decided to introduce a system of Cost A cs. in his factory. Submit a system of recording the receipt and issue of goods from store, and illustrate your suggestions, if necessary, with sketches of the books, or documents, the employment of which you recommend. 3. A. B's sole income consists of £1200 per annum, the whole of which is earned. In 1915 A. B. insured his life for £1000 with the All British Assurance Co., the annual premium being £62. When preparing his annual return for income tax, is A. B. entitled to make any deduction in respect of his life assurance ? If so, what amount may he deduct ?

4. Paul Noel is a partner in a firm of manufacturers. On 31st Dec., 1920, his cap. was £10000. During the year he drew out £250 on the last day of each quarter, for private purposes. He was entitled to be credited with a partnership salary of £450 at the close of the year. He withdrew goods from the firm for his own use amounting to £17 2s. 6d. Int. at 5% was allowed on Cap. and charged on Cash Drawings. After making all adjustments, his share of profits for the year was £1878 3s. 8d. Show how the above transactions should appear in the books of the firm on 31st Dec., 1920.

5. The Emblem Car Co., Ltd., Motor Dealers, had a nominal cap. of £100000, issued and subscribed, consisting of 200000 shares of 10/- each. 5/- per share had been called and was fully paid up, with the exception of the first call of 2/- per share on 2000 shares, which remained unpaid. A holder of 5000 shares had elected to pay up his shares in full. Under the Articles of Association, int. at 5% was allowed on calls paid in advance, and 10% int. was chargeable on calls in arrear. As on 31st Dec., 1920, twelve months' int. had accrued in both the above cases, but no entries had been made in the books in respect of the int. due to and by the respective shareholders. On 1st July, 1920, 300 8% debentures of £100 each were issued at 96 and were fully subscribed and paid up. The following balances appeared

in the books as on 31st Dec., 1920 :—Motor Lorries, £2540 ; Loose Tools (31st Dec., 1919), £350 ; Purchases, £56841 ; Purchases Returns, £1276 ; Sales, £74371 ; Sales Returns, £2200 ; Showroom Fixtures & Fittings, £1500 ; Machy. & Plant (Repairing Outfit), £1562 ; Stock (31st Dec., 1919), £20992 ; Office Furniture £300 ; Rent Rates & Taxes : Showroom £1685, Offices £200 ; Insurance £645 ; Machy. Repairs £224 ; Leasehold Showrooms £43390 ; Directors' Fees £500 ; Office Salaries £1286; Showroom Salaries & Commission £2178 ; Office & Legal Exs. £261 ; Showroom Exs. £424 ; Carr. Inwards £922 ; Carr. Outwards £624 ; Discount A/c. (Cr. Bal.) £356 ; Cash in Hand £16 ; Cash at Bank £12530 ; P. & L. A/c. (Debit Bal., 31st Dec., 1919) £3286 ; Reserve for Bad & Doubtful Debts (31st Dec., 1919) £200 ; Sundry Creditors £2770 ; Sundry Debtors £5340 ; Licences £108 ; Drivers' Salaries £1925 ; Tuition Fees recd. £1276 ; Receipts for repair of Cars £2872 ; Mechanics' Wages £1142. Prepare Trading and P. & L. A/cs. for the year ended 31st Dec., 1920, and a B/S., after making the adjustments :—(*a*) Depreciation is to be written off as follows :—Motor Lorries 20% ; Showroom Fixtures & Fittings 10% ; Office Furniture 5%. (*b*) The following valuations were made as on 31st Dec. :—Machy. & Plant £1400 ; Loose Tools £300 ; Stock £19240. (*c*) Provision for Bad & Doubtful Debts is to be made of an amount equal to 5% on the Sundry Debtors. (*d*) Rates (Showroom) £120 and Insurance £82 had been paid in advance. (*e*) An action against a Railway Co., in respect of a damaged car, was settled on 28th Dec., the Railway Co. agreeing to pay £200 in respect of the car, and £72 law costs. No entries in respect of this settlement had been made. (*f*) The Int. due on the debentures, as on 31st Dec. had not been passed through the books.

Answer.—*Gross Profit*, £15013 ; *Net Profit*, £5513 10s. ; *Bal. of Profit*, £2227 10s. ; *Total of B/S.*, £87310.

6. The Directors of Fitzgeralds, Ltd., decide to reduce the Co's Capital of 120000 Shares of £1 each, fully paid, to 120000 Shares of 10/- each, fully paid. Prior to the proposed reduction of cap., the B/S. of the Co. was as follows :—**Liabilities :** Share Cap., £120000 ; Bank Overdraft £10000 ; Sundry Creditors £52250 ; Prem. on Shares A/c., £2000. **Assets :** Goodwill, £40000 ; Freehold Factory £81000 ; Machinery & Plant £12500 ; Patents £8500 ; Stock £11000 ; Sundry Debtors £10800 ; Cash £200 ; Profit & Loss A/c. £20250. It was decided (1) to eliminate the Premium on Shares A/c., (2) to write off the debit balance of the P. & L. A/c., and (3) to re-value the assets as follows :—Goodwill £20000 ; Patents nil ; Stock £10000, and any balance remaining available to be used to write down the book value of the Freehold Factory. Submit the entries to carry these decisions into effect and give the B/S. of the Co. after the reduction of Capital had been effected.

7. Devise a system of Cost A/cs. for a manufacturing business and state :—(*a*) The various items of expense to be included

under the heading "On-cost." (*b*) The source from which you would obtain the necessary figures upon inaugurating the costing system. (*c*) The basis upon which you would allocate the on-cost expenses.

LONDON CHAMBER OF COMMERCE. (*Senior*, 1922.)

1. When auditing the accounts of an Iron Foundry you find that no "stock" item appears in the Manufacturing A/c. Upon investigation you find that the various a/cs. relating to purchases are dealt with as follows :—Explain the nature of the A/c., give your opinion of the principle upon which it is based, and state where you would expect the balances of these Purchase A/cs. to appear in the published a/cs. of the Co.

Dr. Coal & Coke A/c. Cr.

1920.		£	s.	d.	1921.		£	s.	d.
Dec. 31	To Stock	1878	14	2	Dec. 31	By Stock c/d.	2010	17	8
1921.						„ *Transfer to Foundry A/c.*	14584	14	7
Dec. 31	„ Purchases	12742	10	1					
	„ Carriage ..	1974	8	–					
		£16595	12	3			£16595	12	3
Dec. 31	To Balance b/d.	2010	17	8					

2. The Directors of a Limited Co., with a fully paid Cap. of 100000 Ord. Shares of £1 each, decided to pay an interim dividend of 10%, less tax, as on 1st July, 1921. Give the entries to record the payment of the dividend. **3.** Prepare a sketch of a Cost Ledger and enter six items therein. Briefly describe the sources from which the Ledger you submit would be written up. **4.** A. B. possesses an annual income of £3000, of which £1000 is derived from Directors' fees, and £2000 from an investment in 5% War Bonds. Is A. B. liable for Super-Tax ? If so, state his liability. By whom is Super-Tax assessed ?

5. C. Casson & Co., Ltd., was registered in 1918 with cap. of 50000 Ord. Shares of £1 each. The whole of these shares were offered to the public at a premium of 2/6 per share. 40000 shares were applied for, and 17/6 per share, including the premium, was called and fully paid up, with the exception of the second call of 2/6 per share on 1000 shares, which remains unpaid. 150 8% debentures, of £100 each, had also been issued, and were fully subscribed and paid up. The int. due for the half-year ended 31st Dec., 1921, had not been provided for in the Co's books. The following balances were extracted as on 31st Dec., 1921. Prepare Trading and P. & L. A/cs. for the year, and a B/S., taking the following into consideration :—(*a*) Depreciation is to be provided for as follows :—Office Furniture 5% ; Leasehold Warehouse (including cost of extension) 2%. (*b*) On 31st Dec., 1921, the following valuations were made :—Stock £12641 ; Motor Vans £4000 ; Warehouse Fixtures & Fittings £2000. (*c*) Office Salaries (£86) and Warehouse Wages (£48) had accrued due on 31st Dec., 1921, but had not been provided for. (*d*) The Bad Debt Reserve is to be increased to £900. (*e*) One half of

the balance of the Preliminary Exs. A/c. is to be written off. (*f*) At a Board Meeting held on 10th Jan., 1922, the Directors decided to forego all fees for the year 1921, and undertook to return the fees paid to them for the half-year to 30th June, 1921 (*g*) 75% of the Management Exs. is to be charged to the Trading A/c.

Warehouse Wages	£6245	Sales	£77565
Office Furniture	780	„ Returns	302
Motor Vans	4800	Cost of Extension of Warehouse	5964
Interest & Deb. Int. A/c. (Debit Bal.)	1786	Management Expenses	3864
Preliminary Exs. A/c. (Bal.)	700	Bad Debt Reserve (31/12/20)	500
Warehouse Fixtures & Fittings	2752	Discount A/c. (Debit Balance)	278
Directors' Fees (½ yr. to 30/6/21)	500	Bad Debts	947
Leasehold Warehouse	13436	Bank Overdraft	4000
Stock (31/12/20)	17862	Distribution Expenses	3241
Office Salaries	3948	Income Tax & Corporation Profits Tax	3678
Sundry Debtors	16644	P. & L. A/c. (Credit Bal., 31/12/20)	2784
Sundry Creditors	11782	Cash in hand	865
Purchases	56741	Rent & Rates: Warehouse, £1586; Office, £459	2045
„ Returns	872		

Answer.—*Gross Profit*, £5396; *Net Loss* £13322; *Total of B/S.*, £66391.

6. A and B. agree to dissolve partnership as on 31st Dec., 1921, when the Balance Sheet of the firm was as follows :—

BALANCE SHEET, 31st December, 1921.

Capital :—A.		£10000		Machinery & Plant	£10784
B.		5000	15000	Sundry Debtors	£6480
Current A/cs. :—A.	1920			*Less* Provision	800
B.	786		2706		5680
Sundry Creditors			2742	Stock	3140
				Cash at Bank	844
			£20448		£20448

The following terms are agreed :—(1) A. is to retain the business and is to pay B. the amount shown as due to him in the Dissolution Balance Sheet. (2) A Goodwill A/c. amounting to £5000 is to be created and credited in equal amounts to the partners. (3) The Plant & Machinery A/c. is to be revalued at £9000. (4) The Book Debts are to be revalued at £6000, and the provision for Bad Debts is to be reduced to £500. (5) The Stock is to be revalued at £3800. (6) The liability on an annuity, payable to a deceased partner's widow, is to be estimated at £1200. Prepare the Dissolution B/S. showing the amount payable by A. to B. **(Due to B. £7034. Cap. of A. £13168.)**

7. Submit the credit side of a *pro forma* Balance Sheet of a Limited Co. Divide the items you select into "Fixed" and "Floating" Assets, and describe the difference, if any, in the obligation to provide for depreciation, or waste, in connection with the two classes of property.

LONDON CHAMBER OF COMMERCE. (*Senior, April*, 1923.)

1. Explain briefly the meaning of the following terms :—(*a*) Contingent liability. (*b*) Guard Book. (*c*) Share Certificate. (*d*) Lien. (*e*) Sans Recours. **2.** A Manufacturer, whose business is divided into five departments, each situated in a different part of the same building, and each turning out a distinct class of article, wishes to ascertain the approximate cost of each type of article over a year. Detailed records of stores and departmental wages books are kept. State on what basis you would apportion the following items appearing in the P. & L. A/c., and what additional information (not appearing in the ordinary books of account) would be necessary to enable this to be done :—(*a*) Carriage inwards. (*b*) Rent. (*c*) Machinery depreciation. (*d*) Office Salaries. (*e*) Heating & Lighting. **3.** A manufacturing company owns a large quantity of plant, including various types of machines having different rates of depreciation The directors wish to allow for depreciation as accurately as possible. Give your suggestions for a method of record which would allow this to be done, showing specimen rulings and entries. **4.** The X. Y. Boot Co. keeps three Sales Ledgers, an Adjustment A/c. for each being kept in the Nominal Ledger. At 31st Mar., 1923, the Nominal Ledger Trial Balance showed an excess of £20 on the debit side. At the same date Schedules of Debtors were extracted with the following result :—

	Adjustment A/c.	Totals of Schedules.
A—H	Ledger .. £17681 4 2	£17694 3 7
I —Q	„ .. 8196 5 3	8176 5 3
R—Z	„ .. 12320 17 8	12307 18 3

State the nature of the errors in the book-keeping which these figures suggest, and describe the first steps you would take when trying to locate them.

5. Messrs. Alpha & Omega, Ltd., have an Authorised Cap. of £150000, of which £50000 consists of 8% Pref. Shares of £1 ea., and the remainder of Ordy. Shares of £1 ea. At 31st Mar., 1923, 20000 Pref. Shares had been issued and were fully paid up, while of the Ordy. Shares 35000 had been issued and were fully called up, but the final call of 5/- per share had not been paid on 1000 Shares. 300 8% Debentures of £50 ea. had been issued at 31st Mar., 1910, and under the terms of issue were due for repayment at 31st Mar., 1925. The Co. had bound themselves to set aside £1000 annually out of profits, during the currency of the debentures, to provide for the repayment, and this had been duly done ; but the amounts had not been specifically invested outside the business. In addition to the a/cs. representing the above transactions the balances below were extracted on 31st Mar., 1923. Prepare Trading and P. & L. A/cs. for year and a B/S. (*a*) Valuations on 31st Mar., 1923 :—Stock of Raw Materials, £3079 ; Finished Goods, £25791. (*b*) Depreciation allowed as follows :—Machinery, £1000 ; Motor Vans, 20% ; Office Furniture, 5%. (*c*) After extracting the balances, £582 bad debts

were written off. The Bad Debts Reserve to be made up to 4% of the Trade Debtors. (*d*) £450 to be charged as rent and credited to the Leasehold Redemption A/c. One-tenth of this is applicable to the Office and the remainder to the Factory. (*e*) The last payment for rates was £290 in respect of the half-year to 30th June, 1923. Rates are divisible between factory and office in the same proportion as rent. (*f*) Debenture Interest is payable 1st Jan., and 1st July, and no provision had been made for int. accrued since 1st Jan., 1923.

Investments, at cost	£26000	Carriage Inwards	£3211
Bank Deposit A/c.	4000	Carriage Outwards	4070
Cash at Bank	1289	Discount (Dr. Balance)	505
Stock Raw Materials (31/3/22)	4562	Legal Expenses	30
Stock Finished Goods (31/3/22)	12017	General Office Expenses	408
Purchases	72885	Motor Vans (31/3/22)	1400
Sales	120945	Office Furniture (31/3/22)	220
Trade Debtors	15732	Machinery & Plant (31/3/22)	18750
Sundry Creditors	23462	Additions to Machinery	425
Bad Debt Reserve (31/3/22)	570	Debenture Interest	900
Leasehold Premises at cost	28800	Bank Deposit Interest	72
Leasehold Redemption A/c. (31/3/22)	9450	P. & L. A/c. Balance (31/3/22)	5576
Wages	35102	Dividends Unclaimed	75
Rates	705	Final Dividend A/cs. in respect of year to 31/3/22—Preference	800
Packing Materials Used	1748	Ordinary	3500
Interest on Investments	1050	Interim Dividend Paid 31/9/22, Preference	800
Office Salaries	4265	Cash in hand	76
Directors' Fees	750		

Answer.—*Gross Profit*, £18381 ; *Net Profit*, £6143 ; *Bal. of Profit*, £6741 ; *Total of B/S.*, £123228.

6. A, B and C are in partnership, sharing profits equally, and at 31st Mar., 1923, their Capital A/cs. were as follows :—A, £8000 ; B, £7000 ; C, £6000. On 1st April, 1923, they admitted D as an equal partner, he having agreed to bring in £5000 as his capital and to pay the old partners £2100 for goodwill. Each of the old partners was to leave one-half his share of the latter sum in the business, and to withdraw the other half. Show the four partners' Capital A/cs. as they will appear after the change, all payments having been made as agreed. **7.** A contractor asks you whether, in your opinion, he should take into consideration profits on contracts uncompleted at the date he balances his a/cs. Give your reply as shortly as possible, distinguishing, if necessary, between contracts in various stages of completion : and state what profit, if any, you think should be taken in the following particular case :—Contract No. 37. Price £250000. Commenced 1st Mar., 1922. Balances at 31st Dec., 1922, as per Contract Ledger :—Materials, £50000 ; Plant, £8000 ; Wages, £72000 ; Establishment, £2000. At 31st Dec., 1922, £130000 had been certified for payment, and the balance of materials on hand and work not certified for was £5800. Depreciation on plant (which had all been on the site since the commencement of the contract) is to be allowed for at 12% p.a.

LONDON CHAMBER OF COMMERCE. (*Senior, May*, 1924.)

1. Edward Shea is in business as a Manufacturer. His B/S., as on Dec. 31st, 1921, was as follows :—

Capital	£10000	Factory	£3862
Creditors	7862	Machinery	3432
Bank Loan	2000	Debtors	9241
		Stock	2386
		Bank	941
	£19862		£19862

Shea desires to take A. Alexander into partnership. Alexander has a small business and possesses Stock £842, Debtors £562, and Machinery £387. He is unable to raise any cash. Suggest a method whereby a partnership can be equitably arranged and submit the B/S. of the new firm based upon the lines of your suggestions. **2.** Give a ruling of a "Materials Abstract" suitable for use in the Costing System of a manufacturing business of your own selection. **3.** Describe the expenditure which, in your opinion, may be legitimately debited to "Preliminary Expenses A/c." by a newly registered Limited Co. State how you would deal with this expenditure in the books and published a/cs. of the Co. **4.** The following items appeared in a P. & L. A/c. sent to an Inspector of Taxes :—Corporation Profits Tax, £58 17s. 8d. ; Income Tax, £126 9s. 7d. ; Amt. written off value of Lease, £400 ; Loss on sale of obsolete machinery, £250 10s. 7d.; Royalties paid for use of patents, £125 ; Theft by employee, £95 10s. In your opinion would the Inspector of Taxes pass all, or any, of the above items ? **4a.** What is a "Documentary Bill" ? Explain its use and advantages.

5. The Pernet Manufacturing Co., Ltd., was registered in 1920 with a nominal cap. of £200000, divided into 150000 Ord. Shares of £1 ea. and 10000 6% Pref. Shares of £5 ea. 65000 Ord. Shares had been subscribed for and allotted to the public and 20/- per share called up. The whole of the Pref. Shares had been issued and fully called and paid up. On Jan. 1st, 1923, the Co. took over the Assets and Liabilities of Lamia Ltd., as follows :—Sundry Debtors £16136, Sundry Creditors £3862, Stock £14850, Machinery & Plant £10890, Cash £1986. The purchase price was agreed at £50000, and was satisfied by the issue of 50000 Ord. Shares in the Pernet Co. issued to the Lamia Co. as fully paid. On July 1st, 1923, 200 5% Debentures of £100 ea., were issued at 95. Prepare Manufacturing and P. & L. A/cs. for the year ended 31st Dec., 1923, and a B/S. (*a*) No provision has been made for the Debenture Int. due on Dec. 31st, 1923. (*b*) As on Dec. 31st, 1923, the following items were due but not recorded in the books : Wages £996, Office Salaries £226, and Directors' Fees £750. (*c*) Manufacturing Wages, £541, were paid to workmen employed in making Loose Tools for the Co's use, but the requisite transfer

had not been made. (*d*) The Manufacturing A/c. is to be charged with two-thirds of General Exs. and Management Salaries. (*e*) Reserve £500 for fine under an uncompleted contract now subject to litigation. (*f*) Valuations :—Machy. & Plant £32640, Loose Tools £2951, Office Furniture £600, Stock £28740, Uncompleted Contracts £9641. (*g*) Reserve 2½% for Travellers' Commission outstanding on Dec. Sales, which were £13960. (*h*) Bad Debt Reserve to be made equal to 5% Debtors.

Machinery & Plant	£32765	Loose Tools	£2864
„ (Additions during year)	8456	Machy. & Plant sold during yr.	5641
Leasehold Works	77841	Management Salaries	3522
Manufacturing Wages	86968	Machinery Repairs	1267
P. & L. A/c. (Dr. bal. (31/12/22)	7862	Office Salaries	3842
Sinking Fund for Leaschold Redemption	8850	Directors' Fees	750
Sundry Debtors	12460	Office Furniture	684
Sundry Creditors	35503	Discount A/c. (Debit Balance)	174
Stock (31/12/22)	32641	Res. for Bad Debts (31/12/22)	500
Factory Power & Light	3642	Travellers' Salaries & Com.	6894
General Expenses	4785	Carriage on Purchases	3641
Purchases	76495	Carriage on Sales	4846
Uncompleted Contracts (31/12/22)	13844	Transfer Fees	146
Unpaid Calls (Ordy. Shares)	500	Sales	169159
Returns Inwards	864	Cash at Bank	3246
Returns Outwards	3241	Cash in hand	1187
		Loan from Bank	15000
		Patents	20000

Answer.—*Gross Loss*, £15028 ; *Net Loss*, £39629 ; *Total of B/S.*, £247174.

6. X, Y and Z are partners and carry on three retail Tobacconists' Shops and a small factory for the manufacture of pipes and sundries. The profits of the factory are apportioned to the three shops on the basis of their turnover of pipes and sundries. Each shop is personally managed by a partner, who is entitled to 75% of the profits made by him. The remaining profit is carried to a General P. & L. A/c. The factory (the profit on which was £1400 for the year) is managed by Y, who is entitled to a salary of £300 per annum, chargeable to the General P. & L. A/c. After all adjustments have been made the balance of the General P. & L. A/c. is divided :—X, $\frac{4}{9}$ths ; Y, $\frac{3}{9}$ths ; and Z, $\frac{2}{9}$ths. For the year ended 31st Mar., 1922, the following particulars are disclosed prior to adjustments : Profits of Shops—X, £4925 ; Y, £2840 ; Z, £1924. Turnover of Pipes and Sundries : X, £3120 ; Y, £2140 ; Z, £590. Prepare a/cs. showing the allocation of profits to the partners for the year ended 31st Mar., 1922.

7. In 1904 the Impecunious Trading Co., Ltd., offered for subscription, at par, £20000 of 5% Debentures, repayable at par on Nov. 30th, 1923. Int. was payable half-yearly, on May 31st and Nov. 30th. The issue was fully subscribed and all expenses in connection therewith were written off out of Revenue during the first five years of the currency of the issue. By the terms of issue the Co. agreed to set aside a sum of £650 annually out of profits to form a Sinking Fund for the redemption of the Debenture issue, such sums to be invested in gilt-edged securities, together with any int. arising therefrom. On Nov. 30th, 1922,

the book value of the investments stood at £17850, and on Dec. 1st, 1922, a further £650 was duly invested. During the year ended Nov. 30th, 1923, the net income arising from the Sinking Fund Investments amounted to £757, which was re-invested as received. At the end of the period a further £650 was appropriated, all the Sinking Fund investments were sold, realising £19800, and the Debentures were repaid. Prepare the following on 30th Nov., 1922 : —(1) Debenture A/c., (2) Sinking Fund A/c., (3) Sinking Fund Investments A/c. How do you consider the balances of the two latter a/cs., should be dealt with, after the above transactions have been duly recorded ?

LONDON CHAMBER OF COMMERCE. (*Senior, April*, 1925.)

1. On 5th Oct., 1924, Henry Jones bought a Pearl Necklace for £1250 from John Brown, and accepted two bills of exchange in settlement, one for £500 due 4 months, and the other for £750 due 5 months after date. The first bill he met on the due date. When the second fell due it was withdrawn by agreement and a new three months bill was accepted by Jones, no charge being made for the extension of credit. Set out the entries that Jones would make in recording the above. 2. The Local Manager of a company growing rubber in Malay sends monthly returns of expenditure to his Head Office in London, distinguishing between "Capital" and "Revenue" expenditure. Mention five different items you might expect to find on the return under each of these two headings, and as regards items charged to Capital, explain shortly why they should be so treated. 3. What are "Short Workings" ? Show by means of specimen entries how these are dealt with in a Company's books and in its published a/cs., assuming it to be considered likely the short workings will be recouped. 4. What is a Cost Sheet ? Mention four different kinds of undertakings in which you consider the periodical preparation of such sheets would be advantageous, and state what the advantages are. Give a pro forma example of such a sheet suitable for an undertaking of your own selection.

5. Pure Products, Ltd., Manufacturing Chemists, have an authorised Capital of £500000, divided into 300000 Ordy. Shares and 200000 6% Cum. Pref. Shares of £1 ea. At 31st March, 1924, 220000 of the former were issued and fully paid, and of the latter, 130000 were issued and fully called up, but there were calls in arrear amounting to £200. There was no change in the above during the year ended 31st March, 1925. There were £50000 5% Debentures outstanding (unchanged during the year), and a Sinking Fund for the repayment of these had been raised, which stood in the B/S. prepared as on 31st March, 1924, at £24660. In July, 1924, the following appropriations of profit were made : —(*a*) To Reserve £10000. (*b*) To Debenture Sinking Fund £2000. (*c*) Final Dividend on the Pref. Shares for the six months to 31st Mar., 1924. (*d*) Dividend of 10% on the Ordy.

Shares for the year to 31st March, 1924. (*e*) The balance to be carried forward. The dividends as above were duly paid, and in November, 1924, the Directors paid a six months' interim dividend on the Pref. Shares. Prepare Manufacturing and P. & L. A/cs. for the year ended 31st Mar., 1925, and a B/S. as on that date. Adjustments to be made :—(*a*) Valuations of Stocks at 31st March, 1925, were made as follows : Raw Materials, £4959 ; Partly Manufactured Products, £19333 ; Finished Products, £42725 ; Coal, £2870 ; Stores, £2321. (*b*) Machinery & Plant to be depreciated 10%. (*c*) The Bad Debt Reserve is to be made up to 7% of the Trade Debtors. (*d*) Three months' Deb. Int. was outstanding, for which no provision has been made. (*e*) Int. is chargeable at 8% on calls in arrear, and no entry had been made in respect of this for the year. (*f*) Of the Coal purchased, £135 is chargeable to Office and Showroom heating, the balance being used in the Factory. The following were the balances in the books 31st March, 1925 :—

Purchases, Raw Materials ..	£93550	Dividends unpaid (Cr. balance)	£93
Sales	238201	Electric Power (Factory) ...	4468
Wages (Factory)	57191	Debenture Interest	1875
Stocks, 31/3/24—Coal.....	3090	Sinking Fund Investments ..	26660
,, Factory Stores.....	2057	Dividends on above	990
,, Raw Materials	9573	Other Investments	63000
,, Partly Finished Products	17905	Dividends on above	5095
,, Finished Products.....	38010	P. & L. (Cr. balance, 31/3/24)	42356
Laboratory Expenses	510	Reserve A/c. (31/3/24)	25000
Purchases—Coal	15617	Directors' Fees	2000
,, Stores.....	5813	Insurance (Factory £319,	
Plant & Machinery	152000	Office and Showroom £72)	391
Bad Debt Reserve, 31/3/24 .	3252	Freehold Buildings	73000
Creditors	23464	Rates (Factory £4014, Office	
Trade Debtors	85500	and Showroom £418)	4432
Other Debtors	2108	Salaries	5070
Goodwill	40000	Office Expenses	219
Cash at bank and in hand ..	29072		

Answer.—*Gross Profit*, £43737 ; *Net Profit*, £35191 ; *Bal. of Profit*, £35747 ; *Total of B/S.*, £522379.

6. What is meant by the " Double A/c." system of presenting a/cs. ? What types of Companies make use of this system ? How does the B/S. of such a Company differ from that of an ordinary commercial undertaking ?

7. United Investors, Ltd., derives its income primarily from dividends from holdings of stocks and shares of a considerable number of different Companies. Suggest a ruling for the Investment Ledger which will enable the accountant to trace easily the various dividends, etc., received over a period of years from any given holding. Assuming that the Company balances its books yearly on 31st December ; set out a *pro formâ* a/c. showing the history of an investment made in May, 1920, which paid dividends regularly in November and, in November, 1922, made in addition a bonus distribution of shares ; the holding being finally realised at a profit in February, 1925. How do you consider the profit on sale should be dealt with ?

ROYAL SOCIETY of ARTS. Accounting & Banking. 1905.

1. To what class of enterprise does the system of Book-keeping known as the "Double Account" system apply? Briefly explain its distinctive features as compared with the "Single A/c." system.

2. Give a set of rulings suitable for the various books necessary to record the particulars and figures relating to the Share Capital of a Limited Co. from the first application for shares by the public to the final record of shares when fully paid, including transfers.

3. The following Ledger A/cs. appear in the T.B. of a Co. State how you would deal with the items in preparing the annual a/cs., and briefly comment on any points which would need special consideration:—(*a*) Goodwill A/c. (*b*) Repairs Reserve A/c. (*c*) Unclaimed Dividends A/c. (*d*) Debenture Issue Expenses A/c. (*e*) Preliminary Expenses A/c. (*f*) Expenditure during the year on the Co.'s Leasehold Works A/c. (*g*) Forfeited Shares A/c. (amount of cash received on forfeited shares).

4. Adjust for Income Tax (Schedule D) purposes the P. & L. A/c. of Messrs. Robert Sawyer & Son, Timber Merchants, set out below, and show the amount assessable for tax. The profits for the years 1902 and 1903, upon which tax was payable, were agreed with the Inland Revenue Surveyor, at £2304 and £1858 respectively. Gross Profit from Trading A/c., 31st December, 1904, £5430; Salaries £920; Bad Debts £425; Int. on Cap. at 5%, £1050; Income Tax £56; Depreciation on Plant at 10%, £780; Loss through Cashier's Embezzlement £108; Res. for Bad Debts £870; *Less* Res. 31st December, 1903, £720; Annuity to G. Sawyer £350; Profit for the year c/d. £1591.

5 How should the following cheques be dealt with by the receiving banker? (*a*) Undated cheque; (*b*) cheque presented after notice of the drawer's death has been received; (*c*) cheque dated six months prior to presentation; (*d*) cheque dated on a Sunday.

6 The Blank Manufacturing Co., Ltd., desire to open an a/c. with the Bank of London, Ltd. Describe the formalities required in opening the a/c. 7. State three different classes of securities accepted by bankers against advances to customers, and briefly describe the formalities necessary in each case between the parties when the loan is effected. 8 Describe a Bill of Exchange. How and when is a bill noted and with what object?

ROYAL SOCIETY of ARTS. Accounting & Banking. 1906.

1. The Steadfast Assurance Co., Ltd., was registered in 1900, and during that year the whole of the Share Capital (consisting of 100000 shares of £1 each) was paid up in full. Submit *pro formâ* accounts for the year ended 31st Dec., 1905 in accordance with the provisions of the Life Assurance Companies' Act (1870), and point out wherein the form of the prescribed a/cs. varies from that usually employed by Companies registered under the Companies' Acts, 1862-1900.

2. Is the P. & L. A/c., as set out below, properly drawn up? If not, submit the a/c. as you would present it.

PROFIT & LOSS Account, 31st Dec., 1905.

To Salaries	£820	By Stock	£18200	
„ Depreciation	1401	„ *Less* 1st Jan., 1905	17400	£800
„ Purchases	42600			
„ Returns	362	„ Int. on Investments	3400	
„ Discounts	421	*Less* Loss on Sale of Investments	900	2500
„ Dividend Paid	3842			
„ Directors' Fees	1000			
„ Trade Expenses	1200	„ Balance from last year's a/c.		4321
„ Dividend (5% for year 1905)	6200	„ Sales		59940
„ Manufacturing Wages	3280	„ Error in Books		120
„ Transfer to Reserve A/c.	4000	„ Unclaimed Dividends		321
„ Balance carried to B/S.	2876			

3. The Turbine Steamer Co., Ltd., owns a fleet of 14 steamers trading to the Eastern Seas. These boats are at present insured in the ordinary way at Lloyds; but the Company desires to effect its own insurance for the future. Explain briefly what steps should be taken to inaugurate an internal marine insurance fund, and state what entries should appear in the books and annual accounts of the Co., when the fund was in operation. 4. Describe briefly the difference in the method of recording and presenting the Capital A/c. of an ordinary Commercial Limited Company, whose A/cs. are kept upon the "Single A/c." system as compared with a company working under a special Act of Parliament, whose a/cs. are necessarily kept upon the "Double A/c." system. Give a *pro formâ* Capital A/c. of an enterprise working under the latter system. 5. Describe briefly the course of action which is usually followed by Bankers with regard to funds in their hands :—(*a*) in the case of a deceased customer who left a will. (*b*) In the case of a deceased customer who did not leave a will.

6. State whether the undermentioned endorsements of cheques are in order; and if, in your opinion, irregular, explain in what way they should be amended.

(*a*) A cheque drawn in favour of "James Smith or Order" is endorsed, "James X Smith" his mark.

(*b*) A cheque drawn in favour of "Robert Radborn, Liquidator of the Hawk Motor Co., Ltd., or Order" is endorsed "Robert Radborn."

(*c*) A Cheque drawn in favour of "George Good & Sons or Order" is endorsed "George Good & Sons, A.R.C."

(*d*) A Cheque drawn in favour of "Walter Long's Executors or Order" is endorsed "per pro Walter Long's Executors, Geo. R. Long."

7. Is it absolutely necessary to note and protest a B/E. in case of dishonour? State briefly the legal object of noting a B/E. 8. A.B. desires to borrow £500 from his Bankers, who undertake to advance this sum upon the security of A.B.'s Life Policy for £1000 (whole life without profits) in the Established Assurance Company. State the grounds upon which the Bankers would consent to make such advance, and what steps must be taken to carry out the transaction efficiently.

ROYAL SOCIETY OF ARTS. Accounting & Banking. 1907.

1. Robert Coe & Sons, Ltd., having brought out a patent article, sent samples to all their customers on "sale or return." Customers keeping the goods were to be entitled to a discount of 20%, if paid for in one month. The samples were passed, at the full list price, to the debit of the customers and to the credit of the "Sales A/c." How would you deal with these transtions when preparing the Company's Annual A/cs.?

2. The P & L. A/c. of William White showed a credit balance of £2040 for the year ended 31st Dec., 1906, as compared with £1850 for 1905, and £3210 for 1904. These profits were arrived at after debiting the following items :—

	1904.	1905.	1906.
White's Salary (Paid weekly through the Salaries A/c.)	250	250	250
Interest on Capital at 5%	152	175	181
Sinking Fund, for replacement of Engine	100	100	100
Subscription to King's Hospital Fund	10	10	10
Employers' Liability Insurance	50	62	54

White also owns house property of the gross value of £800 per annum subject to ground rents of £150 per ann. The property is mortgaged for £2000 at 4½% per ann. He also holds £4000 Great Eastern Ry. Consolidated 4% Pref. Stock, and £2500 Henry Tate & Sons, 4½% Debenture Stock. Make out White's Income Tax Return for 1907-8.

3. Messrs. Clark, Ellis & Co. are a firm of London Manufacturers, whose chief business is in England. They have, however, a considerable business with South American buyers, and invoice goods to them in local currency and accept payment by bills in the same currency. How would you record the South American transactions in the books of the firm?

4. Select, in the case of each of the undermentioned undertakings, an asset which you would expect to find in the Balance Sheet of a Company of that kind, and which is to a large extent peculiar to it. Briefly describe how such assets should be treated (*a*) as to valuation, (*b*) as to depreciation, when preparing the Company's Annual A/cs. :—(1) Brewery. (2) Bank. (3) Colliery.

5. What do you understand by the term "Currency"? Briefly describe the principal functions and attributes of money.

6. Mr. Chitty writes to his Bankers as follows :—1 *April*, 1907.

The Managers,

The Stedfast Bank, Ltd., Cornhill, E.C.

Dear Sirs, Please purchase for me the undermentioned shares,

Yours faithfully, Joseph Chitty.

J.C.—100 *Preference Shares Debenhams, Ltd.*

J.C.—100 *Ordinary Shares Aerated Bread Co., Ltd.*

Is the above letter a sufficient authority to the Bankers to purchase the shares and to debit the cost of the same to Mr. Chitty's A/c. with the Bank?

7. Explain the difference, if any, between limited and unlimited legal tender. What constitutes legal tender in England?

8. Explain the undermentioned terms as applied to cheques; and briefly describe the duties and responsibilities of Bankers with regard to cheques so marked :—(1) "Out of Date," (2) "Not Negotiable," (3) "Crossed to two Bankers," (4) "Drawer deceased," (5) "Effects not cleared."

ROYAL SOCIETY of ARTS. Accounting & Banking. 1908.

1. The Companies' Act, 1907, enacts that every Public Limited Company shall file annually with the Registrar of Joint Stock Companies (with the "Summary" under Section 26 of the Companies' Act, 1862), a statement, in the form of a B/S., audited by the Company's Auditor, containing a summary of its capital, liabilities, and assets; and giving such particulars as will disclose the general nature of such liabilities and assets, and how the value of the fixed assets has been arrived at. Submit a *pro forma* Statement, conforming with the above requirements.

2. In closing the books of a manufacturing firm, how would you arrive at the amount representing the value of "work in progress"? How would such an item be treated in the annual a/cs.?

3. A. & B. are in partnership and share profits as follows :—A. 2/3rds; B. 1/3rd. The results of the trading of the firm, as shown by the P. & L. A/cs., for the past three years were respectively :—1905, a profit of £4800; 1906, a loss of £350; and 1907, a profit of £5400. Prepare a Return of Assessment of Income Tax under Schedule D for the current year. Before arriving at the profits, the following items had been charged in the a/cs. of the firm :—

	1905.	1906.	1907.
Transfer to Reserve Account	£200	.... nil	....£250
Ground Rent (less Tax)	30	.... £30	 30
Income Tax, Schedule A.....	10	 10	 10
" " D	200	 200	 190
Banker's "Interest"	32	 61	 15
Written off Goodwill	100	.... nil	 200
Pension to late Cashier	60	 60	 60

4. B. J. R. & Co. are the owners of a business, working upon the multiple shop system. No branch is allowed to purchase any stock, and can only make payments in cash, through their petty cash account, which is replenished weekly upon the "imprest system." All receipts are paid daily into the local bank, upon which the Head Office alone can draw. Upon what basis should goods be stocked out to the branches? Explain briefly the records which the Head Office books would show in the case of each branch.

5. What is the proper endorsement for the following cheque, Mr. Andrew Smith being an illiterate person :—

Medchester, 1st January, 1908.

To the Bank of Medchester, Limited.

Pay to Mr. Andrew Smith.....or order
Twenty pounds.
£20 0 0 James Jones & Co.

6. Briefly state the relations which the Bank of England has to the banking world, the government, and the general public.

7. What is a letter of credit? If the grantee of a letter of credit fraudulently increases the amount for which such letter is issued, what is the liability (if any) of a person negotiating, in good faith, a draft, drawn under such a document, for a larger amount than the original letter of credit was issued for?

8. Are the following endorsements in order? If not, what are the Banker's duties and responsibilities with regard to them? (*a*) A cheque payable to Richard Yea or Order was endorsed :—" Jacob Oppenheim, Richard Yea's Sole Executor." (*b*) A cheque payable to the Holme Parish Council was endorsed : " A. H Barrow, Clerk to the Holme Parish Council." (*c*) A cheque payable to Mr. Alfred Hunt or Order was endorsed :—" Mary Hunt, Widow of A. Hunt." (*d*) A cheque payable to John Jenkins, Esq., or Order was endorsed. " per pro. J. Jenkins, Wm. Watkins."

ROYAL SOCIETY of ARTS. Accounting & Banking, 1909.

1. How would you deal with the undermentioned items when preparing the annual a/cs. of a Company :—(*a*) Premiums received on an issue of Debentures. (*b*) A Policy on the life of A.B. for £5000 (payable at death without profits), taken over against a bad debt of £6000. A.B. is 70 next birthday, and the annual premium on the policy amounts to £130. (*c*) A new cigarette-making machine invoiced at £750, from which an allowance of £300 was subsequently made in consideration of the machine being exhibited in daily use at the Company's Stand at the Franco-British Exhibition.

2. Outline briefly, with sketches, any system of entering and checking the stores used in a manufacturing business with which you are familiar, and of which you approve.

3. Give a *pro formâ* example of a Capital receipts and expenditure a/c. under the double account system. State briefly how depreciation can be provided for under this system of accounting.

4. Criticise the following Trading and P. & L. A/c. and B/S.; and draw them as you would present them to the shareholders of the Company at the Annual Meeting, giving *pro formâ* figures for any items you think should be inserted :—

The Patent Mixtures Company, Limited.

Trading & Profit & Loss Account

for the year ended August 31st, 1908.

Dr.				Cr.
To Stock on hand	£5321		By Goods sold	£5571
Less Plant	2108		Additions to Plant	180
		£3213	Stock in hand	4153
Goods bought		5130	Balance to Balance Sheet ..	514
Wages		915		
Carriage		55		
Branch Wages and Expenses		312		
Bad Debts		210		
Rents, Rates and Insurance ..		319		
Trade charges		264		
		£10418		£10418

Balance Sheet.

Liabilities.		Assets.	
Share Capital	£5433	Sundry Debtors	£2890
X. Y. Z.	1509	Plant and Machinery	2265
Bankers	769	Stock in hand	4153
Sundry Creditors	2114	Cash in hand	3
		Balance	514
	£9825		£9825

5. On 26th Jan., 1909, the Loamshire Bank obtained knowledge of an "Act, of Bankruptcy" committed by their customer, Herbert Hodges. Two days afterwards (28th Jan.) three cheques drawn by Hodges were presented for payment and duly honoured by the bank. What is the position and responsibility of the bank with reference to these cheques?

6. Give illustrations of three different methods of crossing cheques and briefly explain the effect and advantage of each crossing. Is a Banker under any liability if he disregards the instruction "A/c. Payee only" as appearing as a crossing on a cheque?

7. On 25th Jan., 1909, John Smith called at the Union Bank of London and paid in the following:—Gold, £25; Bank of England Notes £50; Cheque drawn on the Old Bank, York, £62; Cheque drawn on the Joint Stock Bank, Princess Street, E.C., £41. Trace the history of the above items as they would appear in the books of the Union Bank of London. 8. Explain the difference (if any) between:—(*a*) A general acceptance of a B/E. (*b*) A qualified acceptance of a B/E. Give an example of each to illustrate your answer.

ROYAL SOCIETY of ARTS. Accounting & Banking, 1910.

1. What is a "Secret Reserve"? Give two examples showing how a Bank or other "Financial House" could create a "Secret Reserve." 2. Explain briefly, by means of *pro forma* examples, how "Royalties" and "Short-workings," arising out of a mining lease, are dealt with in the books of the lessee of a colliery.

3. Robert Laws has been surcharged by the Surveyor of Taxes with the under-mentioned items in reference to his assessment under Schedule (D):—(*a*) 5% depreciation only, instead of the 10% claimed, has been allowed; (*b*) Interest on loan from J. Smithers disallowed; (*c*) Cost of removing offices to new building disallowed; (*d*) Subscription to local hospital disallowed. Has Laws any right of appeal against these surcharges? If so, what course is open to him, and what chance of success has he in respect of the above items?

4. The Alpha Printing Co., Ltd., issued 10000 6% Cumulative Preference Shares of £1 each in Jan., 1904. Up to and including the year ended 31st Dec., 1906, the Preference Dividends were duly paid. Since that date the profits have been insufficient and nothing has therefore been paid to the Preference Shareholders. Does this fact need record in the books or annual a/cs. of the Company? If so, how would you record the same?

5. The officials of the Share Gunpowder Co., Ltd., are as follows:—Directors, R. Edwards (Chairman), George Hughes, Frederick Gee and R. B. Burbridge; Secretary: R. H. Woodside; Bankers: The London & County Banking Co., Ltd. The Company owe £142 10 2 to Robert Chambers. Draw a cheque in settlement of this amount having due regard to the prevention of fraud, and to the necessity for safeguarding the personal liability of the signatories.

6. What is a "Documentary Bill"? Give an example, and briefly describe the documents you would expect to find attached thereto. 7. Give three examples of "special crossings" in common use in connection with cheques. Explain in each case, the manner in which the negotiability of the cheque is restricted by the crossings you give.

8. A.B. obtains his Pass Book from his Bankers, in which the position of his a/c. on that day is shown by an entry of the balance. He returns the Pass Book to the Bank without objection to any of the entries in it. It is subsequently discovered that one of the items debited to him represents a cheque

presented by his Cashier and cashed, the Cashier having forged A.B.'s signature to the cheque. Who is liable to make good the amount of the cheque so forged? Does the return of the Pass Book without comment make A.B. liable? Has A.B. to take any precautions to prevent such a forgery taking place; and if so, what?

ROYAL SOCIETY of ARTS. Accounting & Banking, 1911.

1. What is the chief difference between a Balance Sheet and a "Statement of Affairs"? Give a specimen B/S. in condensed form; and show how the same figures would appear in a "St. of Affairs."

2. The undermentioned items appeared in the annual a/cs. of a Limited Company. State briefly how they should be treated, when preparing the Company's return under Schedule (D) for income tax purposes. (*a*) 5% reserve on total Sundry Debtors as a provision for Bad and Doubtful Debts. (*b*) Interest received on deposit a/c. with the Dresdner Bank, Old Broad Street, E.C. (*c*) Premiums received on an issue of new shares. (*d*) Loss by embezzlement by one of the Company's travellers.

3. What is the usual custom with undertakings, whose a/cs. are compulsorily kept on the "double account system," as to providing for the wastage of their assets? If such provision be made, how does it generally appear in the published a/cs.? 4. Explain briefly, with examples, the system of stock and cost a/cs. which you would introduce for use in the office of a firm whose chief articles of manufacture consist of small machine parts. What is the first step you would take in introducing the system you recommend?

5. A textbook says "the addition of the words *not negotiable* to the crossing of a cheque renders the cheque untransferable, and therefore useless except to the *payee*." Comment on this statement. Can the words *not negotiable* be used for the protection of commercial documents other than cheques?

6. What is a Bank Post Bill? Briefly describe the usefulness of this document for commercial purposes, as compared with a cheque or a bank note.

7. A bill drawn in Denmark upon an English firm, is marked as payable in the "middle of April." Upon what day can payment be demanded?

8. Make out the "Return" of the Bank of England on 15th Feb., 1911, in both Issue and Banking Departments respectively, from the following items:—

Notes issued	£54,954,750	Notes in reserve	£28,029,205
Government debt	11,015,100	Coin & bullion (both departments)	37,496,973
Government securities	14,830,493	Coin & bullion (issued)	36,504,750
Other securities (issue)	7,434,900	The rest	3,560,599
Other securities (banking)	29,305,667	Proprietors' capital	14,553,000
Public deposits	13,751,475	Seven day and other bills	29,681
Other deposits	41,262,833		

Give the amount of the notes in "active circulation." Explain briefly how the Money Market and "Bank Rate" are influenced by the "Bank Return"; and which of the above items principally affect the matter.

ROYAL SOCIETY of ARTS. Accounting & Banking, 1912.

1. What do you understand by the "slip system of Ledger posting"? To what classes of business can the system be advantageously applied? Illustrate your answer by giving two *pro-forma* posting slips applicable to the business you select. 2. Outline briefly the rules which should govern the Balance Sheet valuation of investments, held by Limited Companies.

3. The following figures have been extracted from the Books of the Thamesmouth Life Assurance Co., Ltd., as on 31st Dec., 1911:—Amount of Life Assurance Fund at the beginning of the year £1,650,540; Fines for revival of policies £620; Expenses of Management £86,460; Amount of Life Assurance Fund at the end of the year £1,810,120. Prepare the Revenue A/c. of the Co. in the form required by Statute, inserting imaginary figures for the remainder of the items you would expect to find in such an a/c.

4. The following items appeared in the a/cs. of the Pleasure Steamers Co., Ltd. How should you deal with them when preparing the Company's return under Schedule (D), for income tax purposes? (*a*) Profit of £1500 realised by sale of London & General Omnibus Co.'s stock which formed part of the

Reserve Fund Investments : (*b*) £150 written off during the year, representing one-fifth of the Preliminary Expenses A/c. :—(*c*) Depreciation, at the rate of 6% written off the cost price of the Company's Steamers ; (*d*) 3000 fully paid shares of £1 each, received as part purchase price from a Subsidiary Company and distributed, by way of bonus, to the Pleasure Steamers Company Shareholders.

5. Define the terms " Usance " and " Days of Grace " as applied to Bills of Exchange. What practical value do you attach to the tables of " Usances " and " Days of Grace " sometimes published in textbooks ?

6. Describe briefly the chief functions of the Bank of England. 7. What proportion of the funds entrusted to a Banker is, usually, immediately available in the shape of cash ? State briefly, and upon broad lines, how the balance of the funds entrusted to him (after making the above reserve) is, usually, utilised by a Banker.

8 Name three of the A/cs. which you would expect to find in the General Ledger of a Bank. Briefly explain their purpose, and describe the sources from which they have been written up.

ROYAL SOCIETY of ARTS. Accounting & Banking. 1913.

1. State how you would deal with the undermentioned items (included in the Profit & Loss A/c. of the Company) when preparing the Income Tax Return under Schedule (D), of the Isle Engineering Co., Ltd. (*a*) " Patent Royalties £867 " being the amount paid during the year to George Ward, by way of royalty, on his patent blowers, manufactured by the Company ; (*b*) " Profits of the South African Branch £1290," being the Profit made by this branch for the year, £1360, less Local Income Tax £70 ; (*c*) " Transfer to Sinking Fund for the redemption of Debentures £1000," being the annual instalment transferred to this fund.

2 Briefly describe a system of Book-keeping which could be suitably employed by a Life Assurance Company, and give *pro formâ* rulings of not more than two books which you would recommend.

3. Describe the best method of keeping the accounts relating to the investments of an individual or a Firm, and record the following transactions in the books you would recommend :—On 3rd May, 1911, Robert Rene bought £2000 Arcadian Government 5% Bonds at 95, plus 2s. 6d. per cent. brokerage and 18s. stamps ; On 30th Sept., 1912, he sold £1000 of these Bonds at 98 less £3 10s. expenses. Interest on the Bonds is payable on January 1st and July 1st in each year. Ignore all questions of Income Tax.

4. Prepare from the following particulars, as on 31st Dec., 1912, a "Statement of Affairs," in the prescribed form, to present to a meeting of the creditors of S. Brook :—Furniture & Fittings £250, valued at £100 ; Cash at Bank (Current A/c.) £10 ; Cash in hand £4 ; Sundry Debtors £2500 (Good £1000, Doubtful £1000, valued at £500, Bad £500, valued at nil) ; Bills of Exchange £300, valued at £100 ; Stock-in-Trade valued at £950, less 20% ; Household Furniture valued at £850 ; Life Policy for £1500 (surrender value £550), held by the Bank as security for Loan ; 500 fully paid shares of £1 each, valued at par, in the Blankshire Biograph Co., Ltd., held as security by R. Brown ; Trade Creditors, unsecured £3950 ; Loan from Bankers £500 (secured as above) ; Loan from R. Brown £600 (secured as above) ; Rent due £150, Rates £25, Wages (preferential) £10. (*Deficiency*, £861.)

5. Briefly describe the powers possessed by the Bank of England with regard to the issue of Bank Notes. Do any other Banks possess authority to issue notes ? If so, what are the restrictions (if any) as to issue ? 6. Describe briefly the functions of the London Bankers' Clearing House.

7. George Smith & Sons of London have a branch at Brighton. An account is kept with a local Bank, and the Firm's branch manager, William Robinson, is authorised to sign cheques as follows :—*Per Pro* George Smith & Sons, William Robinson. Are Bankers (other than the above), or other persons receiving cheques, so signed, under any obligations with regard thereto ?

8 The General Ledger of the Loamshire Bank, Ltd., contained the following balances as on 31st Dec., 1912. Explain briefly what the figures represent, and where they would appear in the B/S. of the Bank. (1) Current Accounts A/c. £12,674,491 ; (2) Investments A/c. £7,832,922 ; (3) Rebate on Bills not due £12,466 ; (4) Short Loans A/c. £5,432,768.

ROYAL SOCIETY of ARTS. Accounting & Banking. 1914.

1. What are the chief differences between a B/S. prepared under the "Double Account System," and a "Single Account" B/S.? State briefly the defects of the "Double Account" method of presenting a B/S.

2. Under what Act is "Super-tax" imposed, and by whom is the tax assessed? The annual P. & L. A/cs. of the business of George MacArthur showed the following profits :—1909, £7200; 1910, £6500; 1911, £5800. These profits were arrived at prior to making any provision for depreciation, for which an allowance of £250 was made by the Surveyor in each of the above-named years. He was insured with the Universal Life Assurance Co. at an annual premium of £450. His private income consisted of :—Dividends from Investments £1200, Rents from House Property £600, and Interest on Loan on Mortgage £350. This income is stated gross in each case. Prepare George MacArthur's Return for Super-tax for the year 1913-14.

3. George Dixon, a shareholder in Rayon D'Or Ltd., had applied for, and was allotted, 200 Ordinary Shares of £1 each. He duly paid 5s. per share on application and 5s. per share on allotment, in accordance with the conditions of the issue. A call of 5s. per share was made by the Directors, and was payable on 1st Aug., 1913, but all applications for the amount due from him were ignored by George Dixon. Under the provisions of the Articles of Association the shares were forfeited by Resolution of the Directors on 31st Dec., 1913. Give the entries, recording the above transaction, which would appear in the books and accounts of the Co.

4. Explain, briefly, the meanings of the undermentioned terms as applied to Assurance Companies :—Quinquennial Valuation, Loading, Half-credit Policy, Industrial Policy, Re-Assurances, Bonus. If any of the above items would affect the annual accounts, explain briefly where they would appear. 5. Explain and contrast the advantages and/or disadvantages of the understated crossings, as used in connection with commercial cheques :—Not Negotiable. A/c. Payee Only.

6. The understated items have been extracted from the accounts of a Bank. Explain briefly what they represent. "Liabilities of Customers on Acceptances as per contra" (Cr. side of B/S.); "Rebate on Bills not due" (Dr. side of B/S.); "Money at Call and Short Notice" (Cr. side of B/S.); "Bills Discounted" (Cr. side of B/S.).

7. Explain briefly the methods employed in order to keep the books of a Bank constantly posted. On 31st July, 1913, George Reimers paid in the following to his Bank in the City :—Cheque (Geo. Smith, London) £15; Cheque (Robt. Robinson, London) £20; Gold £10; Bank of England Notes £20. Describe the passage of the above items through the books of the Bank from the moment of their receipt until credited to the account of George Reimers. 8. What is meant by the phrase "Money is Cheap"? How does the lowering of the "Bank Rate" usually affect what are known as "Gilt-edged Securities"?

ROYAL SOCIETY of ARTS. Accounting. (*May*, 1915.)

1. Draft three specimen clauses relating to items affecting the Accounts, which, in your opinion, should be included in a Partnership Agreement. 2. On Dec. 28, 1914, a receiving order was made against G. Kluck. Prepare a Statement of Affairs from these particulars :—Unsecured Creditors, £8000. Fully secured Creditors, £5000. Estimated value of lease of works held by secured Creditors, £6500. Cash at Bank, £120. Cash in hand, £15. Bills receivable, £400, estimated to produce £300. Book Debts: Good, £500; Doubtful, £1000; Bad, £800 (the two latter estimated to produce £700). Stock-in-Trade cost £1200, valued at £600. Furniture valued at £150. Fifty fully-paid £1 shares in Exotics, Ltd., valued at £40. Preferential Creditors, £75.

3. B. Bradley purchased a printing machine for £1000. The useful life of the machine was estimated at 10 years. Upon purchasing the machine, Bradley took out a "Pure Endowment Policy" with the Exchange Assurance Company for £1000, payable in 10 years. How would you treat the annual premiums payable under this policy; and how would the question of depreciation be affected? 4. What is meant by the term "Tabular Book-keeping"? Under what circumstances is the system advantageous? Submit the ruling of a book framed on these lines, and describe and illustrate the method of keeping

it. 5. Explain the meanings of the following terms, as used in connection with Debentures issued by a Limited Company: -(*a*) Issued at a premium, (*b*) Issued at a discount, (*c*) Redeemable at a premium, (*d*) Redeemable at par. Illustrate your answer in each case by showing how £10000 4% Debentures would appear in the Balance Sheet, if issued under the various conditions named above.

6. Prepare a statement showing the liability of W. A. Richardson to the Inland Revenue, under Income Tax Sch. D. for the year 1914-15, from the particulars, as contained in his Business P. & L. A/c.

	1911	1912	1913
	£	£	£
Trade Expenses	320	384	361
Salaries	901	850	902
Income Tax, Sch. A. (Premises assessed at £480) ..	28	28	28
Bad Debts	101	90	40
Charitable Gifts	50	40	50
Reserve for Bad Debts...	100	100	100
Depreciation—Plant, 10%	105	96	85
" Furniture & Fittings 10%	15	12	11
Error in Books	10	—	5
Loss on Sale of Investment	50	—	—
Net Profit	1882	1118	2573
	£3562	2718	4155

	1911	1912	1913
	£	£	£
Gross Profit	3480	2640	4050
Discounts ...	82	78	105
	£3562	2718	4155

7. Why cannot a Balance Sheet have a balance? If you saw one with "Balance carried forward," what inference would you draw? 8. Why cannot an annual P. & L. A/c. be closed by the balance being "carried to the Balance Sheet"? Show how this phrase, which is sometimes (incorrectly) used, should be altered, so as to properly indicate what is meant.

ROYAL SOCIETY of ARTS. Banking. (*May*, 1915.)

1. Enumerate three circumstances under which a Banker would refuse payment of cheques drawn upon him, and state how the cheques would be marked in each case. 2. Are the undermentioned items "legal tender" in the British Isles: and, if so, where? (*a*) A sovereign weighing 124.5 grains, (*b*) A £5 Bank of England Note, (*c*) A £1 Country Bank Note. 3. What is meant by the term "Token Money"? 4 Explain and compare the uses and characteristics of "Letters of Credit" and "Circular Notes." 5 Give the *pro forma* Balance Sheet of a Bank; and explain the meanings of two items selected from each of its sides.

6. William May holds a three months' Bill for £100 accepted by his customer, Arthur Mayer, dated December 10, 1914. He desires to collect this Bill through his Bankers, the Blankshire Bank, Limited. Explain the procedure which should be followed by W. May, and state the entries which the Bank would make upon receipt of the Bill. Give a ruling of one of the books named by you, as employed by the Bank for the record of the above Bill. 7. A.B. paid to his London Bankers on April 15, 1915, a cheque drawn on an Edinburgh Bank, another on a Dublin Bank, a third on a Sheffield Bank, and a Banker's draft at sight on the Bank of England. How did he pay these into his Bank? Would he be debited with any charges for collection; and, if so, upon which cheques? 8 On three occasions since the passing of the "Bank Act" it has been suspended. What is meant by this, and what steps were taken to get over the then existing crisis?

ROYAL SOCIETY of ARTS. Accounting. (*June*, 1916.)

1. What is super-tax? Upon whom is it levied? Is any deduction allowed for (*a*) assurance premium, (*b*) children, (*c*) income-tax already paid in British Colonies? Is income derived from foreign investments taken into a/c. when arriving at an assessment for super-tax purposes? 2. The officials of Limited Companies are under obligation to file certain returns with the Registrar of Joint Stock Cos. Are any of these returns of a financial nature? If so, briefly describe them. 3. Under what Act are the a/cs. of Assurance

Cos. regulated ? Explain where you would expect to find the following items in the a/cs. of a Life Assurance Co. :—(*a*) Final call upon the share cap. of the Co. £50000, (*b*) Re-assurances £12468, (*c*) Income-tax on investments, (*d*) Claims admitted but not paid. 4. Zenobia, Ltd., having made substantial profits, but needing cash, decided to pay a dividend to its shareholders in the form of fully paid shares. The balance standing to the credit of the P. & L. A/c. amounted to £10876 15s. 2d. The nominal cap. of the Co. consisted of 200,000 Ord. Shares of £1 each ; 100,000 of these shares had been issued and were fully paid. The proposed dividend was to take the form of an issue of two fully paid shares for every 25 shares held. Show the entries necessary to record these transactions in the books of the Co., assuming that no Shareholder holds less than 25 shares.

5. Rosslyn & Rubens, of London, agree to join in a speculation in tea. Profits and losses are to be shared in the proportion of two-thirds and one-third respectively. Interest is to be credited to the parties upon the cash contributed to the speculation at the rate of 5% for the duration of the venture. On 1st Jan., 1916, Rossiyn paid in £5000 to the joint banking a/c., and Rubens gave his acceptance at two months for £2000, which was discounted at 6%. Tea was purchased for cash on 3rd Jan. to the value of £5985 16s. 2d. A shipment to the value of £3862 10s. was made to New York on 5th Jan., and the charges and insce. paid thereon amounted to £362 12s. 4d. This shipment was duly sold by the American agent for £4642 8s. 7d., less charges £72 18s. 4d., and 2½% comm. A sight bill for the amt. due was recd. in London on 10th Feb. A second shipment of the bal. of the tea was made on 21st Jan., and the charges and insurance paid thereon amounted to £241 8s. 4d. The ship was torpedoed and the cargo lost. On 28th Feb. the amt. covered by the marine policy, £2000, was paid by the underwriters and the a/cs. of the venture were closed. Prepare the a/cs. necessary to show the result of the venture.

6. The Reserve Fund accumulated by Soleil d'Or, Ltd.—an Exploring Syndicate—amounted, as on 31st Dec., 1915, to £10000, and was represented by gilt-edged securities which had cost £10021 7s. 6d. The mean market price of these investments on the above date was £8989 18s. 6d. Do these facts call for any adjustments in the a/cs. of the Syndicate for the year ended 31st Dec., 1915 ? Give reasons for your answer. 7. R. Redford employs four Sales Ledgers (A, B, C & D), and desires to render each ledger self-balancing. Explain the steps it would be necessary to take in order to carry this desire into effect. 8. Laurent Carle, Ltd.—a newly formed Company—issued 50,000 Ord. Shares of £1 each and 50,000 6% Pref. Shares of £1 each. Of these, 51650 Ord. Shares were applied for, 50,000 of which were allotted ; and 48,500 Pref. Shares, all of which were allotted. Briefly describe the procedure necessary in order to carry out the issue and allotment of these shares, and give rulings of any special books or papers you would recommend. Both classes of shares were payable :—2s. 6d. per share on application, 3rd Jan., 1916 ; 5s. per share on allotment, 5th Jan., 1916 ; 12s. 6d. per share, first and final call, 31st Jan., 1916.

ROYAL SOCIETY of ARTS. Banking. (*May*, 1916.)

1. What is the position of a Banker who pays a post-dated cheque before its due date ? 2. What attitude should a Banker adopt with regard to the following endorsements :—(*a*) An endorsement written across the face of a cheque, (*b*) A cheque payable to "John Jones or Bearer," and endorsed "James Smith." (*c*) A cheque payable to "George Sneath or Order," endorsed "George Sneath," (*d*) An endorsement in pencil ? 3 Robert Checker was appointed Receiver and Manager for the Debenture Holders of a Limited Company in voluntary liquidation. He needed funds for the purpose of carrying on the business of the Company, with a view to its sale as a going concern, and applied to the Blankshire Bank for a loan. Describe the steps which the Bank should take before making any advance. 4. Give two alternative rulings suitable for the Current A/cs. Ledger of a Bank. From what materials are these ledgers written up ? 5 Explain the term "Gold Point."

6. If an Inland Bill of Exchange is drawn as payable to "bearer," can it be altered as payable to "order" by means of an endorsement ? 7. Describe the procedure necessary in order to note and protest a dishonoured Inland Bill of Exchange 8. Briefly describe the influences which cause fluctuations in the rate of Exchange between two countries.

MEMORANDUM OF ASSOCIATION

OF THE

AFRICAN OIL COMPANY, LIMITED.

1. The name of the Company is "THE AFRICAN OIL COMPANY, LIMITED."
2. The Registered Office of the Company will be situate in England.
3. The objects for which the Company is established are :—

(A) To purchase, take on lease, or otherwise acquire, all real property believed to contain petroleum or oil sources, and all wells and appliances utilised to raise petroleum in all countries, and especially rights relating to real property, land and material and appliances ; and to enter into and carry into effect the agreement, draft of which is referred to in Article 2 of the Articles of Association of the Company, with such modification as may be hereafter agreed upon.

(B) To search for, to extract, and to procure in all countries, and particularly in the Orange River Colony, petroleum, and other oil products, mineral oils and matters resolved therefrom, and to treat, work, export, purchase, sell and trade in the same, and to work all factories, manufactories, refineries, distilleries, and to undertake, work and develop in all countries every description of undertakings relating to mines and materials, to seek for, to prospect, to make soundings, to explore, and to sink wells, and to purchase and otherwise acquire, work, develop, sell, dispose of, and realise all petroleum workings, concessions, and enterprises connected therewith, and undertake all commercial mining, metallurgical, and other operations relating thereto, or other business calculated to render more profitable the operations of the Company.

(C) To purchase, take on lease or in exchange, hire or otherwise acquire and hold for any estate or interest, any lands, buildings, easements, rights, privileges, concessions, machinery, patents, plant, stock-in-trade, and any real and personal property of any kind necessary or convenient for the Company's business.

(D) To erect, construct, lay down, enlarge, alter and maintain any buildings, works and machinery necessary or convenient for the Company's business.

(E) To borrow or raise or secure the payment of money for the purpose of the Company's business, and with a view thereto to mortgage and charge the undertaking and all or any of the real and personal property, present or future, and all or any of the uncalled capital for the time being of the Company, and to issue at par or at a premium or discount debentures or debenture stock, payable to bearer or otherwise, and either permanent or redeemable, and collaterally or further, to secure any securities of the Company by a trust deed or other assurance.

(F) To issue and deposit any securities which the Company has power to issue by way of mortgage to secure any sum less than the nominal amount of such securities and also by way of security for the performance of any contracts or obligations of the Company.

(G) To receive money on deposit or loan upon such terms as the Company may approve, and to guarantee the debts and contracts of customers and others.

(H) To make advances to customers and others with or without security, and upon such terms as the Company may approve, and generally to act as bankers for customers and others.

(I) To make, accept, endorse and execute promissory notes, bills of exchange and other negotiable instruments.

(J) To invest and deal with the moneys of the Company not immediately required upon such securities and in such manner as may from time to time be determined.

(K) To pay for any property or rights acquired by the Company, either in cash or shares, with or without preferred or deferred rights in respect of dividend or repayment of capital or otherwise, or by any securities which the Company has power to issue, or partly in one mode and partly in another, and generally to such terms as the Company may determine.

(L) To remunerate any person or company for services rendered, or to be rendered, in placing, or assisting to place, any of the shares or debenture capital or other securities of the Company, in or about the formation or promotion of the Company or the conduct of its business.

(M) To accept payment for any property or rights sold or otherwise disposed of or dealt with by the Company, either in cash, by instalments, or otherwise,

or in shares of any company or corporation, with or without deferred or preferred rights in respect of dividend or repayment of capital or otherwise, or by means of a mortgage or by debentures or debenture stock of any company or corporation, or partly in one mode and partly in another, and generally on such terms as the Company may determine.

(N) To enter into partnership or any arrangement for sharing profits, union of interests or co-operation with any company, firm or person carrying on, or proposing to carry on, any business within the objects of this Company, and to acquire and hold shares, stock or securities of any such company.

(O) To establish or promote, or concur in establishing or promoting, any other company whose objects shall include the acquisition and taking over of all or any of the assets and liabilities of or shall be in any manner calculated to advance directly or indirectly the objects or interests of this Company, and to acquire and hold shares, stocks or securities of and guarantee the payment of any securities issued by or any other obligation of any such company.

(P) To purchase or otherwise acquire and undertake all or any part of the business, property and transactions of any person or company carrying on any business which this company is authorised to carry on, or possessed of property suitable for the purposes of this Company.

(Q) To sell, improve, manage, develop, turn to account, exchange, let on rent, royalty, share of profits or otherwise, grant licenses, easements and other rights in respect of, and in any other manner deal with or dispose of the undertaking of the Company or any part thereof, or all or any of the property for the time being of the Company, and for any consideration, whether in cash or in shares (fully or partly paid), debentures, debenture stock, or other interests in or securities of any company or otherwise.

(R) To amalgamate with any other company whose objects are or include objects similar to those of thi Company, whether by sale or purchase (for fully or partly paid shares or otherwise) of the undertaking, subject to the liabilities of this or any such other company as aforesaid with or without winding up or by purchase (for fully or partly paid shares or otherwise) of all the shares or stock of any such other company, or in any other manner.

(S) To distribute among the members in specie any property of the Company.

(T) To procure the Company to be registered or recognised in any Colony or Dependency, and in any foreign country or place.

(U) To do all or any of the above things in any part of the world, and either as principals, agents, trustees, contractors or otherwise, and either alone or in conjunction with others, and either by or through agents, sub-contractors, trustees or otherwise, and to do all such other things as are incidental to or conducive to the above objects or any of them.

(4) The liability of the members is limited.

(5) The share capital of the Company is £100,000 divided into 100,000 ordinary shares of £1 each.

WE, the several persons whose Names and Addresses are subscribed, are desirous of being formed into a Company, in pursuance of this Memorandum of Association, and we respectively agree to take the number of Shares in the Capital of the Company set opposite our respective names.

NAMES, ADDRESSES, AND DESCRIPTION OF SUBSCRIBERS.	Number of Ordinary Shares taken by each Subscriber.
G. T. PRETYMAN, Barrow Lodge, Bury St. Edmunds, Major-General.	250
LEWIS LEVY, Borden Hall, Kent, Barrister-at-Law.	250
W. MAITLAND EDWARDS, 20, Copthall Avenue, E.C., Merchant.	250
H. PYNEGAR, 5, Dowgate Hill, E.C., Engineer.	250
NEIL MACKINNON, 5, Dowgate Hill, E.C., Engineer.	250
FRANK SMITH, 1, Drapers Gardens, E.C., Member Stock Ex.	250
J. LEWIS LEWIS, Twyfordbury, Beckenham, Kent, no occupation.	250

Dated this 27th day of April, 1910.

Witness to the above Signatures—

SYDNEY THOMPSON,
3 East India Avenue, London, E.C.,
Solicitor

PUBLISHED ACCOUNTS.

400. The **Accounts** and **Balance Sheet** of an ordinary Limited Company, not governed by such special or general acts as those referred to in the chapters on the Double Account System and Insurance A/cs., are *not* dealt with by the Companies (Consolidation) Act, 1908, but the **Articles** almost invariably deal with them, or the provisions of Table A apply unless excluded. While the **Act** itself does *not* require the preparation or submission to the members of any Balance Sheet, Profit & Loss A/c., or Report, it nevertheless presumes their preparation by prescribing that the **Auditors** shall make a **Report** upon every Balance Sheet laid before the Company in General Meeting, and that such Balance Sheet shall be signed by two directors.

401. The Act further requires that every Company (not being a Private Company) shall **file** with its **Annual Summary** a statement in the form of a **Balance Sheet,** containing a summary of its Share Capital, its Liabilities, and its Assets, giving such particulars as will disclose the general nature of those Liabilities and Assets, and how the values of the fixed assets have been arrived at, but the Balance Sheet need not include a Statement of Profit & Loss. The Balance Sheet must contain a statement of the commission paid on the issue of any Shares or Debentures or the discount allowed on any Debentures, so far as the same has not been written off, and this must be repeated until the whole amount is written off. Page 2 of the Summary ("Form E," see page 385) is reserved for the Balance Sheet, the heading and ruling being as follows :—

Page 2 of **Annual Return.**

STATEMENT in the form of a Balance Sheet made up to the 20th day of March, 1914, containing the Particulars of the Capital, Liabilities, and Assets of the Company.

Capital and Liabilities.	Assets.
This represents page 2 of the Balance Sheet of Nicotine, particulars given on page 425.	*the "Annual Return" on which Ltd., would be copied from the*

402. Unless excluded by *special* **Articles** of Association, **Table A** provides that once at least in every year the Directors shall lay before the Company in General Meeting a **Profit & Loss A/c.** for the period since the preceding account, or (in the case of the first account) since the incorporation of the Company, made up to a date not more than six months before such

Meeting. It also provides that a **Balance Sheet** shall be made out and laid before the Company in General Meeting, and shall be accompanied by a Report of the Directors as to the state of the Company's affairs, the amount which they recommend to be paid by way of dividend, and the amount, if any, which they propose to carry to a Reserve Fund. A copy of the Balance Sheet and Report shall, seven days previously to the meeting, be sent to the persons entitled thereto.

403. While most Accounts are **published annually**, those of **Banking Companies** are prepared half-yearly. The Companies Act provides that every **Limited Banking Company** shall, before it commences business, and also on the first Monday in February and the first Tuesday in August in every year, during which it carries on business, make a Statement in the form provided by the Act, a copy of which shall be put up in a conspicuous place in the Registered Office of the Company, and in every Branch Office.

404. One of the principal features of the following collections of **Published Accounts** is the lack of uniformity in their presentation. Beyond the requirements of Banks referred to in the last paragraph, the Directors are only bound by the Articles of Association in the preparation of the accounts. It will be noticed that the information contained in some of them is of the most meagre description, the value of the Assets being stated in a lump sum, while in other cases many details are given. As to the order in which the Liabilities and Assets are stated there is no law whatever, and the practice of the best accountants varies in many respects.

405. Every Company limited by shares must, within a period of not less than one month, nor more than three months, from the date at which it is entitled to commence business, hold a **General Meeting** of its Members, which is described as the **Statutory Meeting.** In the case of a **Public Company** there must be forwarded to every member and debenture holder, at least seven days before the Meeting, the **Statutory Report,** containing (*a*) particulars as to the shares allotted, (*b*) the amount of cash received; (*c*) an abstract of the receipts and payments of the Company, (*d*) a list of the Directors and Officers, (*e*) particulars of the modification of any contract. A **specimen** of a **Statutory Report** is given on the next page, a copy of which, impressed with a 5/- fee stamp, must be filed with the Registrar. If default is made in filing the Report or holding the Statutory Meeting, any shareholder may, at the expiration of 14 days after the last day on which the Meeting ought to have been held, petition the Court for the winding up of the Company. The Court, on the hearing of the petition, may either direct the Company to be wound up, or direct the Report to be filed or a meeting to be held, or make such other order as may be just, and may order the persons in default to pay the costs of the petition.

No. of Certificate, 107939.

THE COMPANIES (CONSOLIDATION) ACT, 1908.

The Diamantino Rubber Plantations, Limited.

NOTICE IS HEREBY GIVEN that the Statutory General Meeting of the Diamantino Rubber Plantations, Limited, will be held at Winchester House, Old Broad Street, in the City of London, E.C., on Tuesday, the 7th day of June, 1910, at 12-30 o'clock p.m.

By Order of the Board,
BOUSTEAD, ANDERSON & CO.
Secretaries.

27th May, 1910.

Report of the Directors.

Pursuant to Section 65 of the Companies (Consolidation) Act, 1908.

The Directors report to the Members as follows :—

1.—The total number of Shares allotted is 974,900 of 2s. each, of which 250,000 has been issued as fully paid up in part consideration of the Purchase Price and 724,900 has been issued for cash.

2.—The total amount of Cash received by the Company in respect of the 724,900 Shares issued wholly for Cash is £48,353 17s. 6d.

3.—The Receipts and Payments of the Company on Capital A/c. and otherwise to the 24th day of May, 1910, are as follows :

Receipts.				Payments.			
Amount due in respect of 724900 Shares ..	£72490	–	–	Purchase consideration paid to vendors in cash	£30000	–	–
Less Calls unpaid	24136	2	6	Payments to Underwriters and Brokers	4226	4	4
				Preliminary Expenses ..	3000	–	–
				Legal & Transfer Exs. ..	2800	–	–
				Remittance to Manager	3000	–	–
				Cables, Postages, Salaries, &c.	515	4	6
				Bal. of Cash in Bank ...	4812	8	8
	£48353	17	6		£48353	17	6

4.—The amount of the Preliminary Expenses paid by the Company as per Prospectus was £3000.

5.—The following are the Names, Addresses, and Descriptions of the Directors, Auditors, Manager, and Secretaries of the Company.

Directors.

L. T. BOUSTEAD, The Ivy House, Nutfield, Redhill, Surrey.
FREDERICK DAVIES, 21 Mincing Lane, E.C.
T. P. W. FORRESTER, 86 Leadenhall Street, E.C.

Auditors.

DELOITTE, PLENDER, GRIFFITHS & CO., 5 London Wall Buildings, London, E.C., Chartered Accountants.

Manager.—T. H. WHITE Para.

Secretaries and Offices—

BOUSTEAD, ANDERSON & CO., 30 Mincing Lane, E.C.

We hereby certify this report. L. T. BOUSTEAD, FREDK. DAVIES, } *Directors.*

AUDITOR'S REPORT.

We hereby certify that so much of this Report as relates to the Shares allotted by the Company, and to the Cash received in respect of such Shares, and to the Receipts and Payments of the Company on Capital Account and otherwise, is correct.

DELOITTE, PLENDER, GRIFFITHS & CO., } *Auditors.*
Chartered Accountants.

Wall Buildings, London, E.C.
24th May, 1910.

WESTWOOD SPINNING CO., LTD.

Trade Account.

Dr. **Cr.**

1905		£ s. d.	1905		£ s. d.
Dec. 30	To Stock as per last account	5745 – 7	Dec. 30	By Estimated Accounts owing	259 14 6
	,, Yarn & Waste Balances	1283 14 7	1906		
1906			June 30	,, Cash for Yarn and Waste	33740 13 7
June 30	,, Taxes, Rates, &c., brought forward	150 10 10		,, Amount owing for ditto (net)	1642 17 1
	,, Cash for Cotton	25799 6 7		,, Insurance, Rates, & Taxes charged forward	480 11 7
	,, Expenditure as per Cash Account	6141 4 4		,, Transfers	1 10 6
	,, Estimated Accounts owing	217 5 8		,, Stock as per Stock Book	6239 5 –
	,, Bank Commission, Interest, &c.	35 9 3			
	,, Depreciation	1000 – –			
	,, Loan Interest	189 16 10			
	,, Balance (Profit)	1802 3 7			
		£ 42364 12 3			£ 42364 12 3

Profit & Loss Account.

Dr. **Cr.**

1905		£ s. d.	1905		£ s. d.
Dec. 30	To Dividends	600 – –	Dec. 30	By Balance from last Account	1235 8 3
1906			1906		
Mar. 31	,, Dividend (Interim)	600 – –	June 30	,, Balance, Trade Account	1802 3 7
June 30	,, Reserve Fund	1000 – –			
	,, Disposable Balance	837 11 10			
		£ 3037 11 10			£ 3037 11 10

Balance Sheet, 30th June, 1906.

Liabilities.	£ s. d.	Assets.	£ s. d.
Shareholders' Claims	24000 – –	Fixed Stock—present value	30339 19 1
Loan	8447 12 1	Stock-in-Trade	6239 5 –
Trade Accounts owing	217 5 8	Yarn and Waste Balances	1642 17 1
Undrawn Dividends	52 3 9	Insurances, &c., charged forward	480 11 7
Owing to Bank	171 6 1	Cash in hand	23 6 8
Profit & Loss	837 11 10		
Reserve Fund	5000 – –		
	£ 38725 19 5		£ 38725 19 5

THE ASSOCIATED GOLD MINES OF WESTERN AUSTRALIA, LIMITED.

Dr. Mine Working Account for the year ending 31st March, 1909. Cr.

To Ore Extraction		£48259	2	9	By Bullion Account	£262397	4 2
„ Ore Milling		73528	5	10	„ Interest on Deposit with Railway Commissioners	15	– –
„ Bullion Expenses		1420	10	8	„ Kalgoorlie and Boulder Mines Water Trust—Dividend	162	15 7
„ General Expenses at Mine		5682	11	–	„ Adelaide Lease—Receipts in Excess of Expenditure	140	6 –
„ Balance carried to Profit & Loss		133824	15	6			
	£262715	5	9		£262715	5	9

Dr. Profit & Loss Account for the year ending 31st March, 1909. Cr.

To Adelaide Office Expenses—					By Balance of Mine Working Account			£133824	15 6
Directors' Fees, Secretary's Salary, Advertising, Printing, Stationery, Cables, Postages and General Expenses			£499	15 10	„ Dividends on Investments			6085	3 2
„ London Expenses—					„ Interest			232	„ 1
Directors' Fees	£1470	–			„ Transfer Fees			177	8 6
Rent and Salaries	1606	17 9							
Stationery, Printing, Advertising, Cables, Postages and General Expenses	502	18 5							
Legal Charges and Audit Fee	114	7 6							
Consulting Engineer	210	– –							
Transfer Audit	21	19 11							
			3906	3 7					
„ Income Tax			2245	15 –					
„ Charges and Remittances			742	17 6					
„ Depreciation on Investments Realised and in hand			7089	14 6					
„ Depreciation on London Office Furniture			50	– –					
„ Balance carried to Balance Sheet			125792	3 10					
			£140326	10 3				£140326	10 3

Auditors' Report.—We report to the Shareholders that we have examined the above Balance Sheet with the Books and Vouchers in London, and with the Audited Statements received from Australia, and having obtained all the information and explanations we have required, we are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us, and as shown by such Books and Audited Statements.

3 Frederick's Place, Old Jewry, E.C.,
30th June, 1909.

PRICE, WATERHOUSE & CO.

7539

The Associated Gold Mines of
Balance Sheet as at

Liabilities.

CAPITAL :—								
Authorised £500,000 in 500,000 Shares of £1 each				£500000	–	–		
Issued and fully paid up							495364	– –
SUNDRY CREDITORS :—								
Australia				10301	11	8		
London				180	10	5	10482	2 1
Directors' Extra Remuneration—								
On Dividends Nos. 13 and 14							1238	8 2
Dividends—								
Outstanding and unclaimed							806	4 –
PROFIT & LOSS :—								
Balance as per last Balance Sheet				14385	15	–		
Add Balance for year as per annexed account				125792	3	10		
				140177	18	10		
Less Dividend No. 13, 1s. 6d. per Share paid 24th July, 1908	37152	6	–					
Less Dividend No. 14, 1s. per Share paid 12th November, 1908	24768	4	–	61920	10	–		
				78257	8	10		
Less Western Australian Government Duty on Dividends Nos. 13 and 14.	3096	–	6					
Less Directors' extra remuneration for year ending 31st March, 1909, on Dividends Nos. 13 and 14, paid 24th July and 12th November, 1908, subject to confirmation by Shareholders in accordance with Articles of Association	1238	8	2	4334	8	8		
				73923	–	2		
Less Expenditure written off—								
Development and Shaft Sinking	40274	13	9					
Diamond Drilling	2629	19	7					
Less Depreciation—								
Plant & Machinery	20431	18	4					
Buildings	795	4	3					
Furniture	102	19	9	64234	15	8	9688	4 6
							£517578	18 9

Western Australia, Limited.

31st March, 1909.

Assets.

Property Purchase Account—				
As per last Balance Sheet.....				£169377 19 10
Expenditure on Australia Leaseholds—				
Plant and Machinery—				
As per last Balance Sheet.....	121348 17 7			
Additions during year (less Sales)..	14863 18 1			
	136212 15 8			
Less 15% Depreciation	20431 18 4		115780 17 4	
Buildings—				
As per Balance Sheet	5301 8 7			
Less 15% Depreciation	795 4 3		4506 4 4	
Furniture—				
As per last Balance Sheet.....	1022 7 9			
Additions during year	7 10 –			
	1029 17 9			
Less 10% Depreciation	102 19 9		926 18 –	
Development and Shaft Sinking—				
As per last Balance Sheet.....	39180 6 11			
Expenditure during year	32438 12 4			
	71618 19 3			
Less written off—				
20% on Balance at 31st March, 1908 ..... 7836 1 5				
Expenditure for year to 31st March, 1908 ..32438 12 4	40274 13 9		31344 5 6	
Live Stock and Vehicles (as valued) ...			487 – –	153045 5 2
London Office Furniture (less Depreciation)				100 – –
Investments—				
Consols £41000 2½% atmarket price, 31st March, 1909			34773 2 6	
Transvaal Government 3% Guaranteed Stock 1958 £100000 at net cost.....			96005 6 2	
			130778 8 8	
Add accrued interest			941 18 8	
			131720 7 4	
Associated Northern Blocks (W.A.) Limited 9813 fully paid £1 Shares at market price, 31st March, 1909			3679 17 6	
Kalgoorlie and Boulder Mines Water Trust			1080 – –	
Sundry Investments			50 13 –	136530 17 10
Stores Explosives, Fuel, &c. as certified			9559 9 2	
,, in transit			1534 16 1	11094 5 3
Unexpired Insurance Premiums				136 14 4
Sundry Debtors—				
Australia for Bullion (since received)			22639 2 9	
,, Sundries			1200 3 4	
London for advance against security (since repaid)			9000 – –	32839 6 1
Cash at Bank and in hand—				
Deposit and General Accounts			13648 6 3	
Dividend Accounts			806 4 –	14454 10 3
				£517578 18 9

The Balance Sheet of Furness

30th April,

Capital and Liabilities.

SHARE CAPITAL :—									
Total authorised Issue—									
150000 5% Cumulative Preference Shares of £10 each ..							£1500000		
2000000 Ordinary Shares of £1 each							2000000		
							£3500000		
ISSUED :—									
80000 5% Cumulative Preference Shares of £10 each fully called and paid up	£800000	–	–						
35000 5% Cumulative Preference Shares of £10 each on which £8 per Share has been called up .	280000	–	–						
	1080000	–	–						
Add—Amounts paid in advance, *less* Calls in arrear	66453	–	–	1146453	–	–			
120000 Ordy. Shares of £1 each, fully called and paid up	1200000	–	–						
800000 Ordy. Shares of £1 each, on which 17/6 per Share has been called up	700000	–	–						
	1900000	–	–						
Add—Amounts paid in advance, *less* Calls in arrear	19635	2	6	1919635	2	6	3066088	2	6
NOTE.—There is an amount of £83911 17s. 6d. *receivable against future Calls.*									
RESERVE FUND separately invested (as per Contra)							500000	–	–
RESERVE ACCOUNT for Insurance and Repairs							200000	–	–
SUNDRY CREDITORS (including British Maritime Trust, Ltd., and Chesapeake and Ohio S.S. Company, Ltd., on purchase of Steamers)							509551	6	4
BILLS PAYABLE :—									
Accepted for Customers against security (as per Contra)				26244	–	–			
General				116670	9	9			
On Steamers building and delivered				368685	–	–	511599	9	9
PROFIT AND LOSS :—									
Balance as per last account	165775	11	7						
Less—Appropriated as per Directors' Report of 4th July, 1908	63460	5	3	102315	6	4			
Add—Balance for year as per Account				217383	1	11			
				319698	8	3			
Less Interim Div. on Ordinary Shs. for 6 months at 5% per ann., paid 1st Nov., 1908 ...	44088	10	3						
Transferred for Depreciation	114897	–	10	158985	11	1	160712	17	2
							£4947951	15	9

Dr. **Profit & Loss Account** for the Twelve

To Directors' Fees	5441	13	4
,, Income Tax	6198	12	–
,, Preference Share Dividend to 31st October, 1908, and Interest and Discount	49692	8	11
,, Balance as per Balance Sheet	217383	1	11
	£278715	16	2

Withy & Company, Limited.

1909.

Property and Assets.

STEAMSHIPS, INVESTMENTS in Collieries, Engine and Iron Works, Shipping, Industrial and Subsidiary Companies, and General Investments (less Depreciation written off), Freeholds, Plant, and other property in the United Kingdom and abroad (including dock warehouses, tugs, coal and cargo barges), Stock of coal, &c., Payments on account of New Tonnage (less Amounts received on account)	£3792457 18 4		
INVESTMENTS as per Contra Reserve Fund		500000 – –	
£100000..2½% Consols			
100000..British Maritime Trust Limited ..... Shares			
50000..Cash Deposits with Bankers and Secured Loans at Interest			
50000..Cargo Fleet Iron Company, Limited .....Debentures			
50000..International Mercantile Marine Co..... Bonds			
50000..Broomhill Collieries, Limited .....Preference Shares			
20000..Soria Mining Company, Limited ..... Debentures			
18424..Tyne-Tees Steam Shipping Co., Ltd. ..... do.			
17532..Robert Stephenson & Company, Ltd. ..... do.			
11800..Palmer's Shipbuilding & Iron Co., Ltd. .... do.			
8500..Easington Coal Company, Limited ..... do.			
8280..Richardson, Westgarth & Company, Ltd. .. do.			
7500..Tees-side Bridge & Engineering Co., Ltd. .. do.			
7100..Wouldham Cement Company, Limited ..... do.			
5500..London-Welsh Steam Shipping Co., Ltd..... do.			
2000..Inkula Steamship Company, Limited..... do.			
1000..Inkum Steamship Company, Limited ..... do.			
2000..Metropolitan Railway ..... Stock			
5000..Grand Trunk Railway of Canada ..... do.			
3000..Great Central Railway Company ..... do.			
3000..London, Chatham & Dover Railway ..... do.			
500 Shares Barclay & Company, Ltd., £20 each, £8 paid up			
500 Shares North Eastern Banking Company, Limited, £20 each, £6 paid up			
SUNDRY DEBTORS—			
For Acceptance of Customer's Drafts against Security (as per Contra)	26244 – –		
On Open Accounts and Steamer's Uncompleted Voyages, including Unexpired Insurances and Pending Averages	251849 7 4	278093 7 4	
BANKERS' BALANCES on Current Accounts, Cash and Bills on hand		377400 10 1	
		£4047951 15 9	

Months ended 30th April, 1909. **Cr.**

By Profits :—			
At Head Office and Branches	£222983 15 9		
Less—Loss at Shipyard. to 31st Oct., 1908..	59134 9 7	163849 6 2	
,, Dividends on Investments		105749 18 9	
,, Subsidy for Postal Services		8924 11 9	
,, Transfer Fees		191 19 6	
		£278715 16 2	

THE VEGETARIAN RESTAURANTS COMPANY, LIMITED.

Balance Sheet, 31st July, 1909.

Liabilities.	£	£ s. d.
NOMINAL CAPITAL—		
15000 Shares Ordinary £1 each ..	15000	
5000 5½% Cumulative Preference Shares of £1 each	5000	20000 – –
SUBSCRIBED CAPITAL—		
2866 Ordinary Shares £1 each fully paid	2866	
2000 5½% Cumulative Preference Shares £1 each fully paid.....	2000	4866 – –
Sundry Creditors	667 2 9½	
Rents, &c., accrued	61 – 10	728 3 7½
Bank Overdraft		21 17 2
The unpaid Dividends on the Cumulative Preference Shares to July 31st, 1909, amount to £227 13*s.* 10*d.*		
	£	5616 – 9½

Assets.			£ s. d.
Plant Account—			
Fountain St., as at July 31st, 1908.....	3982 11 7		
Additions to date	173 8 –		
	4155 19 7		
Less Depreciation	103 18 –	4052 1 7	
Old Millgate, as at July 31st, 1908	656 18 5		
Additions to June 30th, 1909 .	16 4 –		
	673 2 5		
Less Sales	151 5 9		
Loss on Realisation.....	521 16 8		
Suspense Account—			
Loss on Realisation of Plant at Old Millgate, as above			521 16 8
Stock of Provisions, &c.....			332 11 9
Sundry Debtors			21 5 5
Rates, &c., charged in advance			162 3 2
Cash in hand			15 10 6½
PROFIT & LOSS ACCOUNT—			
Balance at 31st July, 1908	251 17 11		
Loss on 12 months working.....124 1 1			
Add Bonus to Servants 30 14 8			
Add Depreciation ....103 18 –	258 13 9		510 11 8
		£	5616 – 9½

22 Booth Street,
MANCHESTER, 12*th July*, 1907.

To the Shareholders of
The English Sewing Cotton Company, Limited.

Gentlemen,

We have audited the Accounts of the Company for the year ending 31st March, 1907, and the Balance Sheet of that date, and have to report that such Balance Sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the Books of the Company.

Properties, &c.—The item £2241489 5s. 11d. is explained in the Balance Sheet itself. It includes "Closed Works," which now stand at £36241 3s. 10d., and "Goodwill and Trade Marks," which stand at £431546 9s. 0d.

Depreciation has been charged at the following rates :—

On Buildings, including Sprinklers.....at 2½%
„ Fixed Plant .....at 5%
„ Loose Plant and Machinery .....at 7½%
„ Office and Warehouse Furniture and Fittings, a sum exceeding .....at 10%

And in addition—

Depreciation on the excess of the amount standing to the debit of "Closed Works" Account over the present estimated value thereof .....at 10%

The item of Depreciation, £28902 2s. 3d., in the Balance Sheet is in respect of English plants only. In addition, the sum of £10429 0s. 1d. has been written off for Depreciation on the plant of R. F. & J. Alexander & Co., Limited, & Ermen & Roby (Armentieres) Limited, which is dealt with in the separate Accounts of these Companies. The total Depreciation for the year is therefore £39331 2s. 4d.

Balance of Accounts due by Subsidiary Companies and Dividends and Profit yet to receive.—£209600 19s. 5d. comprises the Dividend to be received from the American Thread Company, and balances owing by R. F. & J. Alexander & Company, Limited, and Ermen & Roby (Armentieres) Limited, (less a credit balance of account with the English Thread Company, Limited).

Stocks in Trade.—The correctness of the quantities has been certified by some responsible person or persons at each Branch. The prices of the stocks in the various departments of each concern are certified as correct by the four Executive Directors or as to stores and mill supplies by a member of the Stores Committee. These gentlemen also certify that such prices are on the basis of cost or net realisation (whichever is lower), and we are of opinion that the basis adopted is fair and reasonable.

Sundry Debtors.—This item includes the Foreign and Home Trade Debtors for Sewing Cotton and Sewing Silk, the accounts for which are kept by the Company's Agents, the Central Agency, Limited. Summarised statements thereof, certified by Mr. David W. Kidston, one of the Auditors of the Central Agency, Limited, have been produced to us. Proper provision has, in our opinion, been made for bad and doubtful debts and for discounts.

Cash and Bills at Bankers and in Hand.—We have verified the Cash and Bills at Bankers and at the Head Office, and at some of the Branches. With regard to cash at Foreign Banks and Agencies under the control of the Central Agency, Limited, our remarks under the head of Sundry Debtors also apply.

We have examined the Certificates for the Investments, including the Investments in Subsidiary Companies.

Profit and Loss Account.—The net profit on the year's working, after paying £38309 1s. 1d. Interest on Debentures is £254846 17s. 4d. to which must be added the balance brought forward from last year, £67302 11s. 7d., making a total of £322149 8s. 11d. From this must be deducted the interim dividend of 2½% on the Preference Shares paid on the 9th February, 1907, £25000, leaving a balance to the credit of £297149 8s. 11d.

We are, Gentlemen,

Your obedient Servants,

DAVID SMITH, GARNETT & CO.

ENGLISH SEWING COTTON

Balance Sheet,

SHARE CAPITAL, authorised, issued, and paid up :—						
1000000 5% Cumulative Preference Shares of £1 each				£1000000	–	–
1000000 Ordinary Shares of £1 each				1000000	–	–
Debenture Stock, authorised, issued, and paid up :—						
4% Mortgage First Debenture Stock	£957694	–	–			
Interest accrued thereon to 31st March, 1907	9576	18	9	967270	18	9
Sundry Creditors				74252	17	3
The American Thread Company—Current Account				4565	19	10
Pension Fund for Employees				5000	–	–
Capital Reserve Account				112601	13	6
Reserve Account				50000	–	–
Contingent Liability against Bills of Lading, £232750 0 6 (*estimated at nil*).						
PROFIT & LOSS ACCOUNT :—						
Balance brought forward as per Directors' Report, dated 30th July, 1906	72302	11	7			
Less Employees Pension Fund—Amount voted at last General Meeting	5000	–	–			
	67302	11	7			
Profit for the year as per account	254846	17	4			
	322149	8	11			
Deduct Interim Dividend of 2½% on Preference Shares paid 9th February, 1907	25000	–	–	297149	8	11
				£3510840	18	3

Dr. Profit & Loss Account for

To Directors' Fees, 1907, and Commission, 1906	£10500	–	–
,, Law Charges and Accountancy	1136	19	7
,, Depreciation on English Plants, Furniture and Fittings	28902	2	3
,, Debenture Interest for one year	38309	1	1
Balance carried down	254846	17	4
	£333695	–	8

In accordance with the provisions of the Companies' Act, we certify that Shareholders accompanies this Balance Sheet.

Manchester, 11*th July*, 1907.

COMPANY, LIMITED.

31st March, 1907.

Freehold and Leasehold Properties, Plant, Machinery, etc. (including capital outlay on same since their acquisition) and Goodwill of original purchases, also fully paid shares in Subsidiary Companies, fully paid Preference and Ordinary Shares in R. F. & J. Alexander & Co., Ltd., and 1200000 Shares of $5 each ($3½ per share paid up) of the Common stock of the American Thread Company as per Balance Sheet 31st March, 1906			£2327703	7	3	
Add Capital Expenditure during year ended 31st March, 1907 (exclusive of £11444 8 6 expended by Subsidiary Companies)			12350	12	–	
			2340053	19	3	
Less Depreciation on English Plants, Furniture and Fittings for the year .....£28902 2 3 (*Exclusive of* £10429 0 1 *written off by Subsidiary Companies.*)						
Sales	59662	11 1				
Amount written "Closed Works" taken from Special Reserve	10000	– –				
			98564	13	4	
Total Properties, etc. (including "Closed Works Account" £36241 3 10) at 31st March, 1907						£2241489 5 11
Subsidiary Companies—Balance of Accounts due—and Dividends and Profit yet to receive.....						209600 19 5
Stocks-in-Trade valued on basis of Cost or Net Realisation whichever is lower						377534 6 2
Sundry Debtors (*less* Provision for Discount and Bad Debts)						189873 – 5
Investments at cost price						249673 15 1
Cash and Bills at Bankers and in hand						221669 11 3
Trustees for Debenture Holders :— Cash in Bank to be re-invested						21000 – –
						£3510840 18 3

year ended 31st March, 1907. **Cr.**

By Manufacturing Profits, Dividends from the American Thread Company and Subsidiary and other Companies, Bank Interest, and Interest on Investments		332740	6 9
„ Transfer Fees		954	13 6
	£333695	–	3

all our requirements as Auditors have been complied with. Our report to the

DAVID SMITH, GARNETT & CO.,

Chartered Accountants, Auditors.

Capital & Liabilities.

CAPITAL :—				
(*a*) 1000000 Cumulative 5% Preference Shares of £1 each		£1000000 – –		
1000000 Ordinary Shares of £1 each, per Balance Sheet at 14th March, 1908	£1000000 – –			
Add 250000 Ordinary Shares of £1 each, issued in July, 1908	250000 – –			
	1250000 – –			
Less Calls in arrear on 79 Shares of new Issue	65 15 –	1249934 5 –		£2249934 5 –
Debenture Stock, bearing 4% interest			500000 – –	
Bills Payable			212982 – 5	
Overdraft from Bank			393745 4 4	
Sundry Creditors and Directors' Fees			241960 9 4	
Savings Bank Deposit & Interest accrued thereon			67321 8 7	
Unclaimed Dividends			2049 19 8	
Interest on Debenture Stock accrued at date			8965 – 11	
Premium on Share Account :—				
5s. per Share on 666667 Shares of original Issue	166666 15 –			
5s. per Share on 250000 Shares of new Issue ... £62500 – –				
Less Expenses of new Issue ... 8277 17 9	54222 2 3	220888 17 3		
Reserve Account		145000 – –	365888 17 3	
PROFIT & LOSS ACCOUNT :—				
Balance brought from previous year	20264 16 3			
Profit for period ending 20th March, 1909, as per Account	162726 5 2	182991 1 5		
Deduct (*a*) Interest on Debenture Stock for year	20000 – –			
(*b*) Interim Dividend on Preference Shares paid 30th Sept., 1908	25000 – –			
(*c*) Interim Dividend on original Ordinary Shares paid 9th November, 1908	30000 – –			
(*d*) Interim Dividend on new Ordinary Shares paid 9th November, 1908	1171 17 6	76171 17 6	106819 3 11	
				£4149666 9 5

Dr. **Profit & Loss Account** for the Period from

To Expenses of Management, including Salaries, General Charges, Head Office Expenses, Auditors' Fees, Transfer Office Expenses, Savings Bank Expenses and Advertising	£147715 16 4
,, Bad Debts	2164 4 7
,, Interest on Savings Bank Deposits	413 15 11
,, Depreciation on Plant, Fittings, Fixtures, Utensils, &c., at Stores, Head Office and Branches, and in Ceylon; also Provision for Depreciation of Leaseholds	38963 3 10
,, Directors' Fees	6200 – –
,, Fees to Trustees for Debenture Holders	630 – –
,, Balance carried to Balance Sheet, being Profit for the above period	162726 5 2
	£358813 5 10

LIMITED.

at 20th March, 1909.

Assets.

Goodwill of the Business, Freehold and Leasehold Properties, and Freehold Estates in Ceylon.....			
Amount per Balance Sheet at 14th March, 1908, at Cost, less amounts written off for Depreciation	£1834295 6 –		
Additional Capital Expenditure during year	12111 3 5	£1846406 9 5	
Less written off for Depreciation and Lease Redemption during year ..		4354 12 11	£1842051 16 6
Plant, Machinery, Fixtures, Fittings, Utensils, Carts, Horses, &c.			
Amount per Balance Sheet at 14th March, 1908	309647 5 –		
Additions during year at Branches....	170166 13 3		
Do. at Stores, Factories, &c.	61524 14 11	541338 13 2	
Less written off for Depreciation during year		34608 10 11	506730 2 3
Stocks-in-Trade			1290628 6 10
Sundry Debtors			256147 14 –
Insurances unexpired and other items paid in advance, including £30000 of advertising outlay carried forward			80155 14 8
Investments at Cost and Interest, &c., accrued thereon (Market Value, £101537 8 10)			104277 10 9
Cash at Bank and on hand			69675 4 5
			£4149666 9 5

15th March, 1908, to the 20th March, 1909 inclusive. **Cr.**

By Profit on Trading at Stores and Branches (after deducting Wages and Working Expenses) and Profits from Estates in Ceylon.....	£353315	9 8
„ Transfer Fees	883	11 2
„ Interest, &c., on Investments	4614	5 –
	£358813	5 10

A. W. GAMAGE, Ltd. — Balance Sheet, 31st January, 1910.

Capital & Liabilities.						Assets.					
AUTHORISED CAPITAL—						Goodwill—					
175000 Ordinary Shares of £1 each			£175000			As per Purchase Price, 9th Aug., 1897				43300	– –
175000 5½% Cumulative Preference Shares of £1 each			175000			Leases, Fixtures, Fittings, Motor Vans, &c., as per last Account	62618	5 9			
			£350000			*Add*—Balance of Expenditure during year	5535	17 6			
ISSUED CAPITAL—							68154	3 3			
135000 Ordinary Shares of £1 each		135000	– –			*Less*—Depreciation written off Short Leases, Motor Vans, &c.	840	19 11		67313	3 4
155000 5½% Cumulative Preference Shares of £1 each		155000	– –	290000	– –	Building Account—					
Loans on Debentures and Interest thereon				102118	15 –	118-122, Holborn	75066	19 3			
Cash on Deposit and Interest thereon				4481	11 –	125-128, Holborn	31891	7 –			
Dividends unclaimed				100	18 7	Leather Lane, Robin Hood Yard, &c.	48095	7 10			
Sundry Creditors, less Reserve for Discounts				35661	13 5	Total, as per last Account	155053	14 1			
Bills Payable				7181	– –	*Add* Expenditure during year on New Buildings and Artesian Well, less Depreciation on Boilers and Well	11697	1 1		166750	15 2
General Reserve				14373	10 6						
Special Reserve				9000	– –	Stock-in-Trade, per the Company's Inventories and Valuations				136251	10 –
PROFIT & LOSS ACCOUNT—						Cash at Bankers and in Hand				23078	2 –
Balance from last Account		9017	5 5			Sundry Debtors less Reserve				8965	16 –
Balance from new Account		30079	5 6			Rents Receivable and Rates, Insurance, &c. paid in advance				1765	16 4
		39096	10 11			Investment—					
Less—Debenture Interest	4500 – –					35828 Ordinary Shares of £1 each (fully paid) in Benetfink & Co., Ltd.	39815	19 2			
Preference Dividend, paid 1st August, 1909	4262 10 –					Dividend accrued due	2530	7 –		12346	6 2
Interim Dividend on Ordinary Shares paid 1st Nov., 1909, at the rate of 5% per annum	3375 – –										
Contribution to the Gamage & Benetfink Employees' Provident Society, as voted at the General Meeting, held on 21st April, 1909	105 – –	12242	10 –	26854	– 11						
				£489771	9 5					£489771	9 5

FREEMAN, HARDY & WILLIS, Limited, Balance Sheet for the year ending 31st December, 1909.

Liabilities.				£	s.	d.
CAPITAL, Authorised and Issued—						
225000 fully paid up Ordinary Shares of £1 each				225000	–	–
200000 " " 6% Preference Shares of £1 ea.				200000	–	–
£100000 4% Debenture Stock	£100000	–	–			
£50000 4% " " 1903	50000	–	–			
£25000 4% " " 1904	25000	–	–	175000	–	–
Trade Creditors				119457	9	10
Debenture Interest & Preference Dividend				8945	16	8
Mortgages				3400	–	–
Reserve Fund				95000	–	–
Res. for Freehold & Leasehold Premises				15000	–	–
Superannuation Fund				6450	3	8
Balance, 31st December, 1908	11623	19	7			
BALANCE of PROFIT & LOSS ACCOUNT, 31st December, 1909 (after payment of Debenture Interest)	58325	13	10			
	69949	13	5			
Less Dividend on Preference Shares for the year	11825					
Interim Dividend on Ordinary Shares	13300	15	8	24625	15	8
				£893577	7	11

Assets.				£	s.	d.	£	s.	d.
Land, Bldgs., Fixtures, &c., at Leicester				£59000	–	–			
Freeh'd Shop Properties, L'ester Sect.	136921	17	6						
Leasehold " " "	14819	19	10	151741	17	4			
Freehold & Leasehold Shops, Leases, Fixtures and Plant, London Section				34581	11	7			
Freehold Factory, &c., at Kettering				12013	4	–			
				257336	12	11			
Less Deprec'tn. for 1909, Leicester Sect.	2784	6	4						
" " " London "	1684	11	7	4468	17	11	252867	15	–
Fittings and Fixtures at Branch Establishments				75741	8	3			
Less Depreciation for 1909				7574	3	3	68167	5	–
Trade and other Debtors							13959	13	5
Cash in hand				694	17	10			
Cash at Bankers				54374	6	3	55069	4	1
Stock in hand at Retail Branches				367749	15	10			
" " " Warehouses, &c.				131588	14	7	499338	10	5
Investments at cost							4175	–	–
							£893577	7	11

JOSEPH WATSON & SONS, Limited, Leeds, Balance Sheet, 31st March, 1910.

Liabilities.				£	s.	d.
SHARE CAPITAL—						
360000 5% Pref. Shs of £1 each fully paid	£360000					
200000 10% Preferred Ordinary Shares of £1 each fully paid	200000					
240000 Ordinary Shares of £1 each fully paid	240000			800000	–	–
Debts owing and Credit Balances				75339	4	2
REVENUE ACCOUNT—						
Amt. from last yr. £2322 6 8						
Profits for year ... 92135 3 5	94457	10	1			
Less Interim Divs.— pd. during the yr.	35570	8	–	58887	2	1
				£934226	6	3

Assets.	£	s.	d.
Freehold Land, Buildings, Plant, Machinery, &c.—*less* Premium on Shares, &c., as per last year's Balance Sheet	200864	1	2
Add additions during the year, less amount written off for Depreciation	49441	14	4
	250305	15	6
Goodwill	90000	–	–
Cash and Investments at Cost	155537	13	1
Debts due and Debit Balances	167397	15	3
Stock-in-Trade as taken by Officials at Cost or under	270985	2	5
	£934226	6	3

Dr. **Profit & Loss Account** for the Twelve

	£ s. d.
Loss on Trading Account	£1850 12 5
Repairs, Wear and Tear, including Depreciation of Fixed and Loose Plant, Tools, Office Furniture, &c.	3573 19 7
Income Tax	258 15 –
£	5683 7 –

Balance Sheet

Liabilities and Capital.		£ s. d.
CREDITORS, less Discounts		6042 19 5
Unclaimed Dividends		157 8 7
Amount due to Bankers		6859 6 11
REGISTERED CAPITAL :—		
25000 6% Cumulative Preference Shares of £1 each	25000	
100000 Ordinary Shares of 10s. each	50000	
125000	£75000	
SUBSCRIBED and PAID-UP CAPITAL :—		
25000 6% Cumulative Preference Shares of £1 each, fully paid	25000 – –	
99875 Ord. Shares of 10s. each fully paid	49937 10 –	
		74937 10 –
124875		
	£	87997 4 11

COMPANY, LIMITED.

Months ended 31st August, 1909.

				Cr.		
Rents Receivable				£38	6	11
Transfer Fees				6	5	–
Net Loss for 12 months on the Cycle Business	£3914	17	6			
„ „ „ „ Engineering Business	1723	17	7	5638	15	1
			£	5683	7	–

31st August, 1909.

Assets.				£	s.	d.
Cash in hand				38	16	–
Sundry Debtors less Reserve				12333	–	1
Stock-in-Trade, certified by Messrs. Gilbert & Jenks				17093	7	4
Office Furniture, Fire Brigade Outfit, &c. :—						
At 31st August, 1908	640	11	1			
Add Expenditure in the 12 months	4	17	4			
	645	8	5			
Less Repairs and Depreciation for 12 months	37	6	3	608	2	2
Lease of London Depôt, including Fixtures, Fittings, &c.				706	2	7
Loose Plant and Tools :—At 31st August, 1908	4424	15	2			
Add Expenditure in the 12 months	2076	17	10			
	6501	13	–			
Less Repairs and Depreciation for 12 months	1916	17	6	4584	15	6
Fixed Plant & Machinery :—At 31st Aug., 1908	14406	1	1			
Add Expenditure in the 12 months	1148	19	4			
	15555	–	5			
Less Repairs and Depreciation for 12 months	1298	11	7	14256	8	10
Freehold Land & Buildings :—At 31st Aug., 1908	21725	17	4			
Add Expenditure in the 12 months	316	10	1			
	22042	7	5			
Less Repairs written off	147	1	1	21895	6	4
Patterns and Drawings :—At 31st August, 1908	919	19	10			
Add Expenditure in the 12 months	612	14	4			
	1532	14	2			
Less Depreciation	174	3	2	1358	11	–
Initial Administration Charges in Opening up Engineering Business				311	13	4
Goodwill and Patents Account :—As at 31st August, 1908				10000	–	–
PROFIT & LOSS ACCOUNT :—						
Loss for the 12 months ended 31st Aug., 1909	5638	15	1			
Less Balance from previous Account	827	13	4	4811	1	9
			£	87 997	4	11

MAYPOLE DAIRY COMPANY, LIMITED. Balance Sheet, 25th December, 1909.

Liabilities.		£ s. d.	Assets.		£ s. d.
CAPITAL Issued :—			Cash at Bankers, on Deposit and Current Account and in hand	50804 5 8	
350000 5% Cumulative Preference Shares of £1 each, fully paid ...	£350000		Money at short notice and on loan (secured by deposit of Scrip)	228390 14 7	279195 – 3
1800000 20% Cumulative Preferred Ordinary Shares of 5/- each, fully paid	450000		Investments :—		
1230000 Deferred Ordinary Shares of 2/- each, fully paid	123000	923000 – –	Guaranteed 2½% Stock and other Trustee Securities (at market value) as per Sch.	45048 18 1	
Reserve Funds		160000 – –	Freehold and Long Leasehold Properties (less depreciation) as per Schedule	78388 14 9	
Provident Fund		5397 10 4	Short Leasehold Properties (less depreciation) Japanese Government Stocks and other Investments	62632 17 –	186070 9 10
Sundry Creditors :—					
Open Accounts	141235 5 10		Stocks (at or below cost), as Certified by Managing Directors		366437 13 5
Bills Payable	4728 6 6	145963 12 4	Sundry Debtors		15563 2 8
PROFIT & LOSS ACCOUNT :—			Accounts paid in advance		2715 9 –
Balance transferred		211857 17 1	Goodwill and Trade Marks		422900 – –
			Branch Shops, Warehouses, Works Machy., Offices, Furniture, Fixtures, Fittings, Motor Wagons, etc., as at 26th December, 1908..	227486 11 2	
			Net additions to date	9512 2 5	
				236998 13 7	
			Less Depreciation	63661 9 –	173337 4 7
	£	1446218 19 9		£	1446218 19 9

Dr. Profit & Loss Account for the year ended 25th December, 1909. Cr.

To Directors' Fees		4324 2 3	By Balance brought forward at 26th December, 1908		8083 10 1
,, Depreciation in value of Trustee Securities		313 12 11	,, Net Trading Profit, Rents received and Interest for the year 1909	302713 10 2	
,, Six months' Dividend at 5% per annum on Preference Shares paid 1st July, 1909		8750 – –	,, Transfer Fees	198 12 –	302912 2 2
,, Six months' Dividend at 20% per annum on Pref'd. Ordy. Shares, paid 1st July, 1909		45000 – –			
,, Interim Dividend of 6d. per Share on Def'd. Ordy. Shares, paid 1st July, 1909		30750 – –			
,, Reserve Fund		10000 – –			
,, Balance carried to Balance Sheet		211857 17 1			
	£	310995 12 3		£	310995 12 3

ALBERT BAKER & CO. (1898) Limited. Balance Sheet as at 1st January, 1910.

Liabilities.	£	s.	d.	Assets.	£	s.	d.
CAPITAL :—				Sundry Debtors £1023 15 3			
200000 Shares of £1 each	200000	–	–	Bills Receivable 174 3 3			
Sundry Creditors :—				Insurance paid in advance 70 5 10			
On Open Accounts £20353 19 2					1268	4	4
„ Bills Payable ..... 1332 1 –	21686	2		Machinery, Plant, Leases, Fixtures, Fittings, Goodwill and Trade Marks as per last Balance Sheet 133263 7 1			
General Reserve Fund	11000	–	–	*Less* Depreciation ..... 2000 –	131263	7	1
Unclaimed Dividends as per Contra	77	4	5				
PROFIT & LOSS ACCOUNT :—				Unclaimed Dividends as per Contra	77	4	5
Balance, 1st January, 1909 ..... £7464 16 8				Stock	103798	17	5
Add Profit for year 11746 14 3				Cash at Banks—			
19211 10 11				Current Account £2037 15 3			
Less 22nd and 23rd Dividends 11000 – –	8211	10	11	Deposit Account .... 5000 – – 7037 15 3			
				Offices and Shops ..... 529 7 –	7567	2	3
	£243974	15	6		£243974	15	6

Dr. Profit & Loss Account, 1st January, 1909, to 31st December, 1909. Cr.

	£	s.	d.		£	s.	d.
To Rent, Rates, Taxes, Insurance, Gas and Electric Light	20639	13	5	By Gross Profit	59929	17	5
„ Salaries and Wages	20070	9	3	„ Transfer Fees	50	5	–
„ Audit Fees and Law Charges	132	6	–				
„ Directors' Fees and Managing Directors' Remuneration	500	–	–				
„ Advertising and Petty Expenses	2813	10	10				
„ Repairs and Maintenance	2077	8	8				
„ Depreciation	2000	–	–				
„ Net Profit	11746	14	3				
£	59980	2	5	£	59980	2	5

A. & F. PEARS, Limited. Balance Sheet made up to 30th June, 1909.

Liabilities.	£	s.	d.	£	s.	d.
SHARE CAPITAL, Authorised and Subscribed—						
20000 6% Cumulative Preference Shares of £10 each, fully paid	£200000					
320000 Ordinary Shares of £1 each, fully paid	320000					
	520000					
Debenture Stock (5 per cent.)	200000			720000	–	–
Trade and other Creditors				23218	1	4
Interest on Debenture Stock, half-year to date				5000	–	–
Special Reserve Fund				5702	11	11
Reserve Fund				58500	–	–
Depreciation & Leasehold Redemption Fund—	£	s.	d.			
As at 30th June, 1908	94311	12	10			
Less amount written off	319	3	5			
	93992	9	5			
Further provision during the year	1188	2	–	95180	11	5
Unclaimed Dividends				391	1	2
PROFIT & LOSS ACCOUNT—						
Balance at Credit, as below	57576	10	7			
Profit undivided for 1907-1908	9835	13	3			
	67412	3	10			
Deduct Interest on Debenture Stock £10000						
Interim Dividend on Pref. Shs. 6000						
" " " " Ord. " 12800	28800	–	–	38612	3	10
			£	946604	9	8

Assets.	£	s.	d.	£	s.	d.
Goodwill of the Business in this Country, United States of America, Australia, and elsewhere, Freehold Land and Buildings, Leasehold Premises, Plant, Furniture, Fittings and Works of Art, as at 30th June, 1908	514658	5	3			
Less amount written off	850	1	10			
	513808	3	5			
Expended during the year	661	4	9	514469	8	2
Trade and other Debtors	47569	19	5			
Bills Receivable	14757	17	11	62327	17	4
Stock-in-Trade, including Advertising, Stock, Horses, Vans, &c., as per Inventories				167098	7	3
Cash at Bankers on Deposit and Current Account, and in hand				27746	6	–
Investments (at cost)				174962	10	11
viz. —£120000 2½% Consols.						
£30000 2½% Metropolitan Consolidated Stock						
£27760 the Company's 5% Debenture Stock.						
(There is at present a Depreciation in the market value of these Securities amounting on balance to £17875.)						
			£	946604	9	8

Dr. Profit & Loss Account for the year ended 30th June, 1909. Cr.

	£	s.	d.		£	s.	d.
To Salaries, Rent, Rates, Taxes, Fire Insurance in London, Isleworth, New York, Chicago and Melbourne, Foreign Agencies, Repairs and Renewals, and General Expenses, Advertising, Directors' and Auditors' Fees, and Fees to Trustees for Debenture holders	107373	2	1	By Balance of Trading Account after making provision for Bad and Doubtful Debts	161572	13	–
" Depreciation and Leasehold Redemption Fund	1188	2	–	" Interest on Investments and on Cash on Deposit	4565	1	8
" Balance carried to Balance Sheet	57576	10	7				
	£166137	14	8		£166137	14	8

GOLDSMITHS & SILVERSMITHS COMPANY, LIMITED. Balance Sheet, 31st January, 1910.

	£	s.	d.		£	s.	d.
CAPITAL, Authorised and Issued :—				Goodwill, Leases, Furniture and Fittings	447601	–	1
60000 5% Cumulative Preference Shares of £5 each, fully paid £300000				Sundry Debtors, less Reserve	83220	3	2
300000 Ordinary Shares of £1 each, fully paid .. 300000	600000	–	–	Stock in hand as certified by Managers £208798 5 9			
Sundry Creditors	64948	3	7	Stationery, Advertising, Stock and Dies 1698 9 3	210496	15	–
Unclaimed Dividends	238	9	4	Investments :—			
Dividend accrued on Preference Shares, less Income Tax ..	4708	6	8	Colonial Government and other Securities, at cost	42012	10	10
Leases Redemption Fund	18174	5	4	Cash at Bankers and in hand	28244	12	8
Reserve under Article 122 £50000							
Additional Reserve 40000	90000	–	–				
PROFIT & LOSS A/c.—Balance as per Appropriation A/c..	33505	16	10				
£	811575	1	9	£	811575	1	9

Dr. Profit & Loss Account for the year ended 31st January, 1910. Cr.

	£	s.	d.		£	s.	d.
To Rent, Rates and Taxes, Salaries, Advertising, Stationery, Legal Charges, General and Travelling Expenses and Bad Debts written off	55279	12	7	By Gross Profit on Trading	97661	9	7
„ Provision for Redemption of Leases £2729 11 5				„ Interest on Investments and Deposits	1723	7	6
„ Depreciation of Fittings 537 18 4	3267	9	9	„ Transfer Fees	114	7	7
„ Directors' and Auditors' Fees	1341	11	6				
„ Income Tax	655	10	10				
„ Balance carried to Appropriation Account	38955	–	–				
£	99499	4	8	£	99499	4	8

Dr. Appropriation Account for the year ended 31st January, 1910. Cr.

	£	s.	d.		£	s.	d.
To Final Dividend on Ordinary Shares at the rate of 7½% per annum for the six months ending 31st January, 1909..	11250	–	–	By Balance of Profit and Loss Account at 31st January, 1909, as per last Balance Sheet ..	37050	16	10
„ Transfer to Reserve	5000	–	–				
„ Balance carried forward	20800	16	10				
£	37050	16	10	£	37050	16	10
To Dividend on Preference Shares for year ending 31st January, 1910	15000	–	–	By Balance brought down	20800	16	10
„ Interim Dividend on Ordinary Shares at 7½% per annum for half-year ending 31st July, 1909	11250	–	–	„ Profit for the year to date as per Profit and Loss A/c.	38955	–	–
„ Balance carried to Balance Sheet	33505	16	10				
£	59755	16	10	£	59755	16	10

THE MAZAWATTEE TEA COMPANY, LIMITED.

Balance Sheet, 21st December, 1909.

Authorised Capital	£	1000000	–	–		
CAPITAL ISSUED :—						
80000 5% Cumulative Preference Shares of £5 each	£400000					
350000 Ordinary Shares of £1 each	350000	750000	–	–		
4½% Mortgage Debenture Stock		200000	–	–		
Loans against Securities		70000	–	–		
Sundry Creditors		21909	16	3		
Guarantors of Lease Indemnity Fund		400	–	–		
Reserve		51000	–	–		
Advertising Reserve		6500	–	–		
PROFIT & LOSS ACCOUNT		47422	–	9		
	£	1147231	17	–		

Trade Marks and Goodwill at cost	382628	14	4
Freehold Land, Leases, Factories and Offices at New Cross and Tower Hill (less depreciation of Leases)	101598	14	9
Plant, Machinery, and Fixtures at New Cross and Tower Hill (less depreciation)	58683	16	10
Stock of Tea, Coffee, Cocoa, and Sundry Materials on hand as per certified Stock Sheet	130963	19	–
Stamp Duty on Capital unissued	560	17	6
Sundry Debtors (less Reserve against Discounts) and Deposits on Tea	128883	12	1
Bills Receivable in hand	5725	14	4
Investments in British and Colonial Government Securities, London County & Railway Preference Stocks at cost (Market value at 21st Dec., £63355)	70652	4	7
Expenditure in connection with the establishment of a Direct Trading Business (which has been abandoned)	263758	19	2
NOTE.—No provision has been made for Contingent Liability in respect of Properties sub-leased.			
Cash at Bankers and in hand	3775	4	5
£	1147231	17	–

Dr. Profit & Loss Account for the year ending 21st December, 1909. Cr.

To	£	s.	d.	By	£	s.	d.
Managing Director's and Chairman's Remuneration and Directors' Fees	2300	–	–	Amount brought forward from Profit and Loss Account, 1908	39521	8	1
„ Remuneration of Trustees for Debenture Stock Holders	210	–	–	*Less* Dividend paid Mar., 1909—Preference. £13300			
„ Secretarial and Legal Charges	1173	13	9	Dividend paid September, 1909—Preference 5700	19000	–	–
„ Depreciation and Income Tax	7634	5	7		20521	8	1
„ Interest and Loans	2361	2	2	„ Transfer Fees	72	–	–
„ Interest on Debentures	8021	17	6	„ Dividends and Interest on Investments	2217	17	10
„ Guarantors of Lease Indemnity Fund	400	–	–	„ Profits from Trading Account	46711	13	10
„ Balance carried to Balance Sheet	47422	–	9				
£	69522	19	9	£	69522	19	9

THE LEEDS FIRECLAY COMPANY, LIMITED.

Report.—The Directors beg to submit to the Shareholders the Twenty-second Annual Balance Sheet of the Company, for the twelve months ending June 30th, 1911.

The Building Trade of the country has shown no improvement during the year. The Company's turnover has been slightly below that of the previous twelve months, and the results have been adversely affected by the severe competition in one branch of the business. The prevailing conditions render it impossible, for the time being, to continue the payment of premiums for the Redemption of the Debentures of the Company, and the Directors have therefore accepted £15752 14s. 9d., being the Surrender Value of past premiums. The Directors report with regret that the response to the appeal made a year ago for funds to erect the suggested New Works in Leeds was insufficient to enable them to commence with a scheme so necessary for the welfare of the Company. The Trading Profits for the year amount to £10630 5s. 11d., to which is to be added the Balance from last year, £766 19s. 7d., making £11397 5s. 6d. The Debenture Interest absorbs £12000, and £4121 9s. 4d. has been written off as Depreciation of Investments, leaving an Adverse balance of £4724 3s. 10d.

Mr. W. Harriman Allen and Mr. W. Porritt Ingham are the retiring Directors, and, being eligible, offer themselves for re-election. Messrs. Beevers & Adgie, the retiring Auditors, also offer themselves for re-election.

Balance Sheet, 30th June, 1911.

Liabilities.	£	s.	d.
SHARE CAPITAL :—			
60000 6% Preference Shares, £10 each, fully paid £600000			
40000 Ordinary Shares, £10 each, fully paid 400000	1000000	–	–
3000 4% First Debentures of £100 each	300000	–	–
Debenture Interest accrued but not due	2000	–	–
Unclaimed Dividends	125	6	7
Sundry Creditors	20653	3	11
Reserve Fund	40000	–	–
Beckett & Co., Leeds	13047	7	2
Amount from Appropriation Account	11028	10	11
(*Cumulative Preference Dividend, Seven years in arrear.*)			
£	1386854	8	7

Assets.	£	s.	d.
Freeholds, Buildings, Fixed Machinery, &c.	718121	–	–
Leaseholds, Buildings, Fixed Machinery, &c.	39421	–	–
Expenditure on New Works Account (including Land and New Pit)	16316	–	–
Reserve Fund Investment— Freeholds, Minerals and Buildings	39292	–	–
Investments in Shares, &c., of other Companies and Freehold Properties	276438		–
Movable Plant, Horses, Wagons, Carts, Office Fittings, &c.	30528	–	–
Debenture Discount Account	3939	5	–
Minerals paid for, but not yet worked	3387	3	5
Stock-in-Trade, including Stores	180214	4	8
Sundry Debtors, *Less* Discounts	78907	5	3
Cash in hand	290	10	–
£	1386854	8	7

Appropriation Account.

Dr.	£	s.	d.
To Debenture Interest	12000	–	–
„ Depreciation of Investments	4121	9	4
„ *Amount to Balance Sheet*	11028	10	11
	£27150	–	3

Cr.	£	s.	d.
By Amount from last year	766	19	7
„ Balance from Profit and Loss Account	10630	5	11
„ Debenture Redemption Sinking Fund (*Policies Surrendered*)	15752	14	9
	£27150	–	3

THE CASTNER-KELLNER ALKALI COMPANY, Limited.

Dr. Profit & Loss Account for the year to 30th September, 1909. Cr.

		£ s. d.		£ s. d.
To Directors', Trustees' and Auditors' Fees....	£2255 14 3		By Balance of Trading Account	137452 6 2
„ Rent, Salaries, Legal Charges and Head Office Expenses	1186 12 –	3442 6 3	„ Transfer Fees	144 15 –
„ Balance carried down		134154 14 11		
		£137597 1 2		£137597 1 2
To Debenture Interest		9313 4 11	By Balance brought down.....	134154 14 11
„ Balance carried to Balance Sheet.....		124841 10 –		
		£134154 14 11		£134154 14 11

Balance Sheet on 30th September, 1909.

Liabilities.		£ s. d.	Assets.	£ s. d.
CAPITAL Subscribed—			Purchase of Patents	125000 – –
450000 Shares of £1 each, fully paid		450000 – –	Land, Buildings, Plant and Machinery ..	537180 3 7
4½% First Mortgage Debenture Stock—			Purchase of Aluminium Company, Ltd...	189491 14 2
Issued £250000			Sundry Debtors	28875 18 8
Less redeemed 44631			Stock of Raw and Manufactured Materials	36912 1 1
205369			Investments (General Reserve A/c.)	12500 – –
Add Interest accrued 1540		206909 – –	Other Investments	24921 19 10
Creditors		44329 18 2	Office Furniture and Fittings	474 – –
Unclaimed Dividends		133 13 4	Cash at Bankers and in hand	60625 8 10
Depreciation Reserve Account		190000 – –	Bills Receivable.....	4231 15 4
General Reserve Account		12500 – –	Suspense Account	1370 10 6
PROFIT & LOSS ACCOUNT—				
Balance from last Account	£15369 10 6			
Add Balance for year to date	124841 10 –			
	140211 – 6			
Less Interim Dividend to 31st March, 1908	22500 – –	117711 – 6		
		£1021583 12 –		£1021583 12 –

G. W. BALFOUR,
G. H. CLARKSON, } *Directors.*

REPORT of the AUDITORS to the Shareholders of the Castner-Kellner Alkali Company, Limited.

In accordance with the provisions of Section 113 of the Companies (Consolidation) Act, 1908, we report to the Shareholders as follows :—

1. We have audited the above Balance Sheet and have obtained all the information and explanations we have required.
2. We are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.

36 Walbrook, London, E.C., 11th November, 1909.

C. F. KEMP, SONS & CO., *Auditors.*

HOPE BROTHERS, LIMITED. Balance Sheet, 31st August, 1909.

Capital and Liabilities.	£	s.	d.	£	s.	d.
CAPITAL authorised and issued				600000	–	–
300000 5¼% Cumulative Preference Shares of £1 each, fully paid	£300000					
300000 Ordinary Shares of £1 each, fully paid	300000					
Sundry Creditors on Open Account (including £1977 8 5 Benevolent Fund)				23279	2	6
Unclaimed Dividends				102	12	11
Sinking Fund for Redemption of Leases				8464	12	–
Special Reserve Account, not divisible	£11798	–	6			
Reserve Fund	19000	–	–	30798	–	6
PROFIT & LOSS ACCOUNT—						
Amount brought forward from previous year	4260	9	3			
Add Balance as per Profit & Loss A/c., being Net Profit for year to date	35271	16	2			
	39532	5	5			
Less Interim Dividends paid—						
On Preference Shares	£8250					
On Ordinary Shares	6000	14250	–	25282	5	5
			£	687926	13	4

Assets.	£	s.	d.	£	s.	d.	£	s.	d.
Cash at Bank on									
Current Accounts	7418	10	7						
On Deposit	17050	–	–	24468	10	7			
In hand				2287	4	10	26755	15	5
Sundry Debtors, *less* Reserve for Bad and Doubtful Debts							4237	5	7
Stock at or under cost as per certificates of the Company's Officials							175301	–	1
Freehold, Copyhold and Leasehold Premises, Shop Fittings, Fixtures, &c., as on 31st August, 1908, with alterations and additions since made	209344	6	1						
Less written off Alterations, &c., and for Depreciation of Shop Fittings, Fixtures, &c.	5240	5	5				204104	–	8
Goodwill							275072	16	6
Rent, Rates and Taxes, Insurance, &c., paid in advance							2455	15	1
						£	687926	13	4

Dr. Profit & Loss Account for the year ending 31st August, 1909. Cr.

	£	s.	d.		£	s.	d.
To Directors' Fees	895	16	8	By Profit after payment of Expenses and after provision for Depreciation and Sinking Fund for Redemption of Leases	44591	17	5
„ Salaries of Managing Directors and Directors	2733	6	8				
„ Audit Fee	400	–	–				
„ Advertising	5290	17	11				
„ Balance, being net profit for the year as per Balance Sheet	35271	16	2				
	£ 44591	17	5		£ 44591	17	5

JOHN CROSSLEY & SONS, LIMITED. Balance Sheet, 4th December, 1909.

Liabilities.	£	s.	d.	Assets.	£	s.	d.
CAPITAL:—				Freeholds, Plant, Stock-in-Trade, Book Debts, Minerals, &c., including amount of Interim Dividend paid 5th August, 1909, per contra	1164184	11	7
118797 Cumulative 5% Preference Shares, £5 each, fully paid £593985							
118797 Ordinary Shares, £2 each fully paid 237594	831579	–	–				
Reserve Fund	207000	–	–				
Liabilities, Book Debts, &c.	85348	10	–				
PROFIT brought forward from last year's account £992 17 3							
Profit from 5th December, 1908, to this date 39264 4 4	40257	1	7				
	£ 1164184	11	7		£ 1164184	11	7
To Interim Dividend on Preference Shares paid 5th August, 1909	14849	12	6	By Balance brought down	40257	1	7
„ Proposed Dividend of 2/6 per Share on the Preference Shares, which with the Interim Dividend of 2/6 per Share, paid 5th August, 1909, is equal to 5% per annum for the past year	14849	12	6				
„ Proposed Dividend of 1/8 per Share on the Ordinary Shares	9899	15	–				
„ Amount proposed to be carried to next year's account	658	1	7				
	£40257	1	7		£40257	1	7

EDWIN WALKER & COMPANY, LIMITED. Balance Sheet, 31st July, 1909.

Capital and Liabilities.	£	s.	d.	£	s.	d.	Assets.	£	s.	d.
NOMINAL CAPITAL, £100000, divided into—							Book Debts, Bills Receivable, Cash in Bank and in hand, Investments, &c.	34794	3	10
2000 6% Cumulative Preference Shares of £10 each and							Plant & Machinery, Warehouse and Office Furniture, Stock-in-Trade, Goodwill, &c.	65283	4	4
8000 Ordinary Shares of £10 each.										
Issued—										
2000 Preference Shares fully paid up	20000	–	–							
5007 Ordinary Shares fully paid up	50070	–	–	70070	–	–				
First Mortgage Debentures bearing 4½% interest				20000	–	–				
Sundry Creditors				3553	6	10				
Reserve Fund				4600	–	–				
PROFIT & LOSS A/c.:—										
Balance from last year's account	150	8	–							
Profit for the year	5256	12	–							
	5407	–	–							
Less—Income Tax 116 8 –										
Directors' Remuneration 1400 – –										
Interest on Debentures to 31st July, 1909 899 17 4										
Dividend on Preference Shares for twelve months to 31st July, 1909 1136 13 4	3552	18	8	1854	1	4				
				£100077	8	2		£100077	8	2

LEVER BROTHERS, LIMITED. Balance Sheet, 31st December, 1909.

Liabilities.		£ s. d.	Assets.	£ s. d.
SHARE CAPITAL, Authorised—			Cash at Bankers and in hand	188711 7 10
200000 5% first Preference Shares of £10 each	£2000000		Debenture and Shares of Associated Companies and Investments ...	2828306 9 5
100000 5% " A " Preference Shares of £10 each	1000000		Debtors	362725 8 –
100000 6% " B " Preference Shares of £10 each	1000000		Stock less Advertising Reserve ...	810589 16 1
200000 Ordinary Shares of £10 each	2000000		Freehold Works, Premises and Plant	2190224 4 6
	£6000000		Leasehold Premises and Plant	108888 17 7
Issued—			Interim Dividends paid and other amounts written off below.....	254094 10 8
5% first Preference Shares 200000 fully paid.....		2000000 – –		
5% " A " Preference Shares 100000 fully paid		1000000 – –		
6% " B " Preference Shares 25000 fully paid		250000 – –		
Ordinary Shares 175000 fully paid.....	£1750000 – –			
25000 £4 paid.....	100000 – –	1850000 – –		
		5100000 – –		
Reserve Fund	324641 16 5			
Depreciation Fund	292882 13 11			
Insurance Reserve	38451 14 7	655976 4 11		
Creditors—Bills Payable	154975 5 –			
Open Accounts	287106 14 –	442081 19 –		
NOTE—There are contingent liabilities on bills discounted and on account of Associated Companies and for calls on shares. No loss is anticipated upon any of these Accounts.				
PROFIT & LOSS ACCOUNT—				
Balance carried down for the year ending 31st December, 1909, including interest £32952 – 6 charged Prosperity Sharing Account		545482 10 2		
	£	6743540 14 1		£ 6743540 14 1
To Repairs, Renewals and Alterations		44923 2 3	By Balance brought down.....	545482 10 2
„ Depreciation Fund		48351 19 4		
„ Insurance Reserve		9160 17 3		
„ Prosperity Sharing with Employees including Village Institutions Account and Dividend on Co-Partnership Certificates		42434 6 5		
„ Dividend on 5% first Preference Shares		100000 – –		
„ Dividend on 5% " A " Preference Shares.....		50000 – –		
„ Dividend on 6% " B " Preference Shares.....		15000 – –		
„ Dividend on Ordinary Shares at the rate of 12½ per cent. per annum		231250 – –		
„ Balance carried to Reserve Fund		4362 4 11		
	£	545482 10 2		£ 545482 10 2

J. LYONS &

Balance Sheet,

Capital & Liabilities

	£ s. d.	£ s. d.	£ s. d.
CAPITAL Authorised—			
400000 Ordinary Shares of £1 each		400000 – –	
500000 £5% Cumulative Preference Shares of £1 each		500000 – –	
		£900000 – –	
CAPITAL Issued—			
331000 Ordinary Shares of £1 each, fully paid			331000 – –
500000 £5% Cumulative Preference Shares of £1 each, fully paid			500000 – –
LIABILITIES—			
First Mortgage Debenture Stock at £4%		300000 – –	
Accrued Interest on ditto, less tax		2850 – –	
£4½% Debenture Stock		125000 – –	
Accrued Interest on ditto, less tax		1335 18 9	
Trade & Other Creditors, & Credit Balances		137365 – 4	
Dividends Unclaimed		529 18 4	567080 17 5
RESERVE			480000 – –
PROFIT & LOSS ACCOUNT—			
Balance as per last Account		121267 13 8	
Less Final Dividend on Ordinary Shares for half-year ending March 31st, 1908, at the rate of £40% per annum	66200 – –		
Transferred to Reserve	40000 – –		
Proportion of Preference Share Dividend to 31st March, 1908	8333 6 8	114533 6 8	
		6734 7 –	
Balance from Accounts for the year ending 31st March, 1909		202773 14 8	
		209508 1 8	
Less Preference Dividend from date of last Balance Sheet to 30th November, 1908	16666 13 4		
Interim Dividend on Ordinary Shares already paid for half-year ending 30th September, 1908, at the rate of £25% per annum	41375 – –	58041 13 4	151466 8 4
			£2029547 5 9

Dr. **Profit & Loss Account** for

	£ s. d.
To Salaries, Wages, Rents, Rates, Repairs, Maintenance, Horsekeep and other Expenses	681454 4 11
„ Balance carried down	287851 11 11
	£969305 16 10
To Depreciation	67452 17 3
„ Debenture Stock Interest	17625 – –
„ Balance carried to Balance Sheet	202773 14 8
	£287851 11 11

COMPANY, Limited.

31st March, 1909.

Property and Assets.

	£	s.	d.	£	s.	d.
Freehold Land and Buildings and Leasehold Premises, Fixtures, &c., as last year (after depreciation) and subsequent outlay, including expenditure on uncompleted work.....	1125380	14	2			
Less Estimated Depreciation for the year	22010	–	6	1103370	13	8
Outlay for sundry installation expenses	9245	16	4			
Less written off	4261	–	4	4984	16	–
Goodwill, as per last Account				39189	10	–
Stock-in-Trade, as per Inventories, &c., at cost or under.....				247946	10	1
Sundry Debtors (after providing for bad and doubtful debts) and other debit balances				54754	1	4
Insurances, Rents, &c., paid in advance, and Deposits on Stocks in Bond.....				42778	14	11
Plant, Machinery, Fittings, Ovens, &c., as last year (after depreciation) and subsequent outlay	299222	17	9			
Less Estimated Depreciation for the year	45442	16	9	253780	1	–
Sundry Investments and Secured Loans and Interest accrued after providing an Estimated Depreciation.....				202918	17	–
Cash at Bankers on Current and Deposit Account, and in hand				79824	1	9
				£2029547	5	9

the year ending 31st March, 1909. **Cr.**

	£	s.	d.
By Gross Profit on Trading, &c., after deducting special Exhibition Expenses, to 31st March, 1909	962734	8	–
,, Interest and Transfer Fees, &c.	6571	8	10
	£969305	16	10
By Balance being Profit for the year ending 31st March, 1909	287851	11	11
	£287851	11	11

WILLIAM WHITELEY

Dr. **Profit & Loss Account,**

	£	s.	d.	£	s.	d.
To Depreciation :—						
On Machinery, Plant, &c.	7085	–	–			
„ Horse Renewals Account	1349	15	6			
„ Leasehold Buildings	1771	4	–	10205	19	6
„ Directors' and Auditors' Fees and Trustees' Remuneration				3467	10	–
„ Income Tax Account				700		
„ Balance carried to Balance Sheet				93579	15	10
			£	107953	5	4

Balance Sheet

Liabilities.	£	s.	d.	£	s.	d.
SHARE CAPITAL :—						
4½% Cumulative Preference Shares	450000	–	–			
Ordinary Shares	450000	–	–			
Management Shares	100	–	–	900100	–	–
4 per cent. First Mortgage Irredeemable Debenture Stock				900000	–	–
Interest accrued on Debenture Stock				16620	–	–
Deposits and Current Account (Banking Dept.)				107642	–	3
Trade and other Creditors	85428	12	6			
Accrued Charges and Sundry Credit Balances	14090	14	5	99519	6	11
Reserve Account				90000	–	–
Special Reserve in respect of Hanworth properties				40000	–	–
PROFIT & LOSS A/c. :—						
Balance from 14th February, 1909	15477	9	4			
Balance for year, as above	93579	15	10			
	109057	5	2			
Less—						
Int. on Deb. Stock for the year . £36000	–	–				
Dividend on Pref. Shares for first six months	10125	–	–			
Amount carried to Reserve A/c.	10000	–	–			
Amount added to Reserve against Depreciation of Investments	598	8	3	56723	8	3	52333	16	11
				£2206215	4	1

LIMITED.

Year to 14th February, 1910. **Cr.**

	£	s.	d.
By Profit on Trading Account after making provision for Bad and Doubtful Debts	93534	10	10
„ Rents Receivable Account	5362	14	11
„ Dividends on Investments	5388	13	7
„ Interest	3019	6	–
„ Transfer Fees	648	–	–
£	107953	5	4

14th February, 1910.

Assets.	£	s.	d.	£	s.	d.
Freehold Land and Buildings				958569	11	7
Leasehold Buildings, Goodwill, &c., Amount at 14th February, 1909	279246	13	7			
Less Depreciation of Leasehold Bldgs. for the year	1771	4	–	277475	9	7
Plant, Machinery, Fixtures, Fittings, &c. (including Glass Houses at Hillingdon Nurseries, and Growing Fruit Trees at Hanworth Farm), as per last Balance Sheet	171017	17	4			
Additions during year	3477	14	11			
	174495	12	3			
Deduct Depreciation applicable to this account for the year ..... £7085 – –						
Working Plant transferred ..... 1845 – –	8930	–	–	165565	12	3
Working Plant and Utensils Account				33668	11	7
Horses, Harness, Motor Vans and Vehicles, as per Inventories and Managers' Valuations				24605	–	6
Advances on Mortgage				33223	–	–
Stock-in-Trade, at cost or under, as certified by Managers				243649	19	6
Book Debts and Sundry Debit Balances, including Debts on Deferred Payments, less reserve for Discounts and Doubtful Debts				247119	1	11
Investments, at cost or under, viz. :—						
Colonial and Foreign Government and Corporation Stocks	40335	3	–			
Foreign Railway Debentures and Stocks	40265	16	3			
Debenture Stocks and Shares of Investment, Electric Light, and Industrial Companies	53066	15	10			
	133667	15	1			
Deduct Amount in reserve against Depreciation	8500	–	–	125167	15	1
Cash at Bankers and in hand				97171	2	1
				£2206215	4	1

WILLIAM WHITELEY, LIMITED.

Directors.

WILLIAM WHITELEY, *Chairman.* JOHN LAWRIE, *General Manager.*
CHARLES T. BAZELL. HENRY MASON.
COURTAULD THOMSON. FRANK E. WHITELEY.

Secretary and Offices—
F. G. DANN, 39 Westbourne Grove, W.

REPORT of the DIRECTORS & STATEMENT of ACCOUNTS

To be submitted to the Twelfth Ordinary General Meeting of the Members to be held at 147 Queen's Road, London, W., on Thursday, the 7th day of April, 1910, at 12 o'clock noon.

The Directors herewith submit their Report and the Accounts for the year ended 14th February, 1910.

It will be seen from the Profit and Loss Account that the Profit on Trading Account amounts to £93534 10s. 10d. To this sum must be added the receipts from Rents Receivable, Dividends on Investments, Interest and Transfer Fees, bringing up the total to the credit of Profit and Loss Account to £107953 5s. 4d. Against this are charged Depreciation for the year, Directors' and Auditors' Fees and Trustees' Remuneration and Income Tax, leaving a balance of profit of .. £93579 15 10

To this figure must be added the balance from the previous year 15477 9 4

Making the total balance of Profit....£109057 5 2

The Interest on the Debenture Stock for the year requires £36000, and the Dividend on the 4½ per cent. Preference Shares for the first half-year absorbs £10125.

The Directors have placed a further sum of £10000 to the Reserve Account, bringing up the amount to £90000. They have also added a sum of £598 8s. 3d. to the Reserve against Depreciation of Investments, making up the amount to £8500.

After deducting the above amounts there remains a balance of £52333 16s. 11d., which the Directors recommend should be appropriated as follows :—

To pay the Dividend of 4½ per cent. per annum on the Preference Shares for the second half-year	£10125	–	–
To pay a Dividend, at the rate of 5½ per cent. per annum, on the Ordinary Shares for the year	24750	–	–
To pay the proportion of Profit due to the Management Shares.....	2006	15	–
To carry forward the balance of	15452	1	11
	£52333	16	11

The retiring Directors are Mr. William Whiteley and Mr. Henry Mason, who, being eligible, offer themselves for re-election.

The Auditors, Messrs. Torquand, Youngs & Co., also offer themselves for re-election.

39 Westbourne Grove,
London, W.,
22nd March, 1910.

WILLIAM WHITELEY,
C. T. BAZELL,
F. G. DANN, *Secretary*
} *Directors.*

THE SAVOY HOTEL, Limited.

Profit & Loss Account for the year ended 31st December, 1909.

Dr. *(Including the Grand Hotel, Rome, for the 1908-9 Season, and the other undertakings owned by the Company.)* **Cr.**

	£	s.	d.		£	s.	d.
To consumption of Provisions, Wines, Spirits, Cigars, etc.	204253	15	8	By Head Hotel and Restaurant Receipts	569344	6	8
„ Wages, Salaries, Electric Light, Fuel, Rent, Rates and Taxes, Repairs and Renewals, Washing, Advertising, Music, Stationery, Liveries, Insurance, Trustees' and Directors' Fees (including Fees for Claridge's), Professional Charges, etc.	231027	1	4	„ Rents Receivable, Advertisement Letterings, Electric Light Supply, Interest, &c.	29355	2	1
				„ Transfer Fees	56	10	–
„ Balance	163475	1	9				
	£598755	18	9		£598755	18	9
To Interest on Debenture Issues, Mortgages, etc.	95159	6	4	By Balance brought down	163475	1	9
„ Sinking Fund for Redemption of Mortgage on Grand Hotel, Rome £1929 11 2							
„ Sinking Fund for Redemption of Mortgages on Berkeley Hotel .. 2781 1 7							
„ Sinking Fund for Redemption of Mortgage on Claridge's Hotel .. 3839 19 11							
„ Sinking Fund for Five-and-a-half per cent. Redeemable Debentures 5250 – –							
„ Reserve for Doubtful Debts ..... 2000 – –							
„ Depreciation of Machinery ..... 2500 – –							
„ Special Improvements ..... 2100 – –							
„ General Reserve ..... 15000 – –	35400	12	8				
„ Balance carried to Balance Sheet	32915	2	9				
	£163475	1	9		£163475	1	9

Approved on behalf of the Board, R. D'OYLY CARTE, *Chairman.*
G. REEVES-SMITH, *Managing Director.*
A. G. WARD, *Secretary.*

Auditors' Report to the Shareholders of The Savoy Hotel, Ltd.

We have examined the books and accounts of the Company for the year ending 31st December, 1909, and have obtained all the information and explanations we have required.

In our opinion the above Balance Sheet is properly drawn up, so as to exhibit a true and correct view of the state of the Company's affairs, at 31st December, 1909, according to the best of our information and the explanations given us, and as shown by the books of the Company.

DELOITTE, PLENDER, GRIFFITHS & CO.,
(Chartered Accountants, Auditors).

5 London Wall Buildings, E.C., 21*st March*, 1910.

THE SAVOY
Balance Sheet,

	£ s. d.	£ s. d.
SHARE CAPITAL, Authorised—		
25000 7% Preference Shares of £10 each	250000 – –	
37500 Ordinary Shares of £10 each	375000 – –	
62500 Shares	£625000 – –	
Issued—		
25000 7% Preference Shares of £10 each	250000 – –	
30780 Ordinary Shares of £10 each	307800 – –	557800 – –
55780 Shares		
DEBENTURES AND MORTGAGES—		
4% Perpetual Debenture Stock	400000 – –	
5% Debentures (1893)	125000 – –	
5% Debentures (1896) of the Savoy Hotel, Ltd., and the London and Foreign Hotel Syndicate, Ltd.	140000 – –	
5% (Strand) Debenture Stock	482000 – –	
Mortgage on East Block, Strand	300000 – –	
Mortgage on West Block, Strand	100000 – –	
Mortgage on Grand Hotel, Rome .. 100000 – –		
Less amount repaid 22350 10 6	77649 9 6	
5½% Redeemable Debentures ..... 150000 – –		
Less Debentures purchased and cancelled ..... 28400 – –	121600 – –	
6% Redeemable Debentures, amount received on account of allotment of £60000	25407 14 –	1771657 3 6
NOTE.—The Trustees had £40 12s. 2d. in hand at 31st Dec., 1909, for further purchases of 5½% Debentures.		
RESERVES AND MORTGAGE AND LOAN REDEMPTION FUNDS—		
General Reserve	42500 – –	
Add Transfer from Profit and Loss, 1900 ...	15000 – –	
	57500 – –	
Mortgage and Loan Redemption Funds (Grand Hotel, Rome)	24018 2 3	
Redemption Fund for 5½% Redeemable Debentures	28440 12 2	109958 14 5
CREDITORS & LOANS—including accrued Int. ...		123663 – 5
PROFIT & LOSS ACCOUNT—Undivided Profit to 31st December, 1908	7839 5 5	
Balance, 1909	32915 2 9	
	40754 8 2	
Deduct Interim Dividends paid	16445 – –	24309 8 2
		£2587388 6 6

HOTEL, LIMITED.

31st December, 1909.

	£ s. d.	£ s. d.
SAVOY HOTEL.—Cost of Freehold Land, Buildings, Furniture and Fittings, Electric Light Installation, Linen, China, Glass, Redemption of Land Tax, etc., Freehold of Strand Properties, Leasehold Interests, Licenses and Expenditure on Buildings, Plant, Machinery, etc., as per Accounts at 31st Dec., 1906	1859450 10 7	
Add Expenditure in 1907 and 1908	27806 11 9	
	1887257 2 4	
Less written off out of Reserves, etc., in 1907 & 1908	59606 16 9	
As per Accounts to 31st Dec., 1908	1827650 5 7	
Add Expenditure to 31st Dec., 1909, on Annexe, Restaurant Balcony, Ladies' Reading & Writing Room, Formation of New Suites, New Well, Furniture &c.	20234 17 5	
	1847885 3 –	
Deduct Final Dividend on Realisation of Investment in Worcester Building Co., Ltd. 8799 9 3		
Less Commission, Discount and Expenses on issue of 6% Redeemable Debentures 1954 13 6		
	6844 15 9	
Sale of Land, Savoy Buildings 3000 – –		
Depreciation of Machinery 2500 – –		
	12344 15 9	
		1835540 7 3
GRAND HOTEL, ROME (Freehold), Cost of Undertaking and Assets of the London and Foreign Hotel, Syndicate, Limited	225530 –	
Add Expenditure since acquisition	47724 6 7	
		278254 6 7
CLARIDGE'S HOTEL (Leasehold; Lease expires 1989.)—Cost of Share Capital of New Claridge's Hotel, Limited		180000 – –
(There are mortgage charges on this Property for £212218 15s. 4d., of which £187218 15s. 4d. is guaranteed by the Savoy Hotel, Ltd. A Sinking Fund is in operation to redeem £187218 15s. 4d. in 1986. Since the Shares were acquired further Capital Expenditure amounting to £12321 5s. 7d. has been made).		
BERKELEY HOTEL (Leasehold; Lease expires 1959.)—Cost of £70000 Preference and £60000 Ordinary Share Capital of Berkeley Hotel Co., Limited		109000 – –
(There are mortgage charges on this property guaranteed by the Savoy Hotel, Limited for £86949 14s. 0d., originally £100000 and for £22275, originally £30250. Sinking Funds are in operation to redeem the Balance of the £100000 in 1940, and £30250 in 1926. Since the Shares were acquired further Capital Expenditure on account of Extensions amounting to £6861 3s. 7d. has been made).		
Stocks and Debtor Balances after providing for Doubtful Debts		110205 4 9
Temporary Investment at Cost		9103 18 6
Cash at Bankers, in hand with Trustees		79284 9 5
		£2587388 6 6

THE CUNARD STEAMSHIP COMPANY, LIMITED.

Dr. Revenue A/c., for the year ended 31st December, 1909. Cr.

Expenditure.	£	s.	d.	Income.	£	s.	d.
To Working Expenses for the year :— Coals, Wages, Superannuation Fund, Provisions, Ship and Engine Stores, Port and General Charges	1755044	11	11	By Passage-Moneys, Freights, Mail-Moneys, &c.	2820577	12	9
„ Office and Agency Expenses at Home and Abroad	99002	13	8	„ do. do. Through Charges repaid by the Company £541856 – 5			
„ Charitable Subscriptions and Donations	316	9	1				
„ Law Expenses	2848	6	4				
„ Directors' Fees	5000	–	–				
„ Auditors' Fees	735	–	–				
„ 2¾% Mortgage Debenture Stock Trustees' Fees	630	–	–				
„ 4½% Mortgage Debenture Stock Trustees' Fees	420	–	–				
	1863997	1	–				
To Repairs and Renewals :— Amount of Repairs and Maintenance of Fleet	210101	11	10				
„ Insurance :— Amount of Premiums paid	97062	3	10				
„ Profit and Loss Account :— Balance transferred	649416	16	1				
	£2820577	12	9		£2820577	12	9

Dr. Profit & Loss A/c., for the year ended 31st December, 1909. Cr.

	£	s.	d.		£	s.	d.
To Income Tax	175	3	8	By Balance from 1908	3582	6	8
„ Interest—General Account	4906	15	1	„ Revenue Account—Balance transferred	649416	16	1
„ do. on 2¾% Mortgage Debenture Stock	67489	2	11	„ Sundry Receipts	11003	10	–
„ do. on 4½% Mortgage Debenture Stock and part cost of issue and of Discount written off	61360	19	8				
„ Depreciation of Ships—Amount transferred	370320	8	4				
„ „ of Wharf, Properties, &c.—Amount transferred	6163	9	8				
„ Insurance Fund—Amount transferred	66598	9	8				
„ Reserve Fund—Amount transferred	80000	–	–				
„ Balance carried down	6988	3	9				
	£664002	12	9		£664002	12	9

Dr. Insurance Fund. Cr.

1909.		£	s.	d.	1909.		£	s.	d.
Dec. 31	To Claims and Expenses	66598	9	8	Jan. 1	By Balance from 1908	400000	–	–
„	„ Balance	400000	–	–	Dec. 31	„ Profit & Loss	66598	9	8
		£466598	9	8			£466598	9	8

Reserve Fund.

Dr.		Cr.	
1909.	£	1909.	£
Dec. 31—To Balance	230000	Jan. 1—By Balance from 1908	150000
		Dec. 31— „ Profit & Loss	80000
	£230000		£230000

General Balance Sheet, 31st December, 1909.

Liabilities.		£	s.	d.	Assets.	£	s.	d.	£	s.	d.
SHARE CAPITAL :—Authorised,					Reduced Book Value of Fleet at 31st December, 1908	5808624	–				
100000 Shares of £20 each	£2000000				*Add* Amount on account of New Steam Ships, &c.	107091	8	4			
The Government Share	20					5915715	8	4			
	£2000020				*Less* Book Value of "Lucania," "Slavonia," and Ships sold	279564	–	–			
SUBSCRIBED,						5636151	8	4			
60000 Shares of £20 each, fully paid	1200000				*Deduct* Depreciation for Year 1909	370320	8	4	5265831	–	–
40000 Shares of £20 each, £10 paid	400000				Reduced Book Value of Wharf Properties, Engine Works, Erections, Plant, Fixed Machinery, Furniture, Moorings, and Freehold Offices, CockspurSt.,London,31stDec.,1908	156751	–	–			
The Government Share issued pursuant to powers conferred by the Articles of Association	20	1600020	–	–	*Less* Sundries during year	287	10	4			
RESERVES :—						156463	9	8			
Insurance Fund	400000				*Deduct* Depreciation for year 1909	6163	9	8	150300	–	–
Reserve Fund	230000	630000	–	–	Movable Plant and Machinery, Stocks of Wharf Materials, Stores and Coals				96925	7	2
2½% Mortgage Debenture Stock held by Government		2340000	–	–	Ships' Pending Voyages				62950	8	–
Interest accrued (since paid)		32175	–	–	Freight, Forwarding and other Charges outstanding				23248	–	–
4½% Mortgage Debenture Stock		1600000	–	–	Sundry Debtors (including Agents and Branch Balances)				161429	15	4
Sundry Creditors (including amount received for pre-paid Passage Moneys)		348333	–	10	Discount on Mortgage Debenture Stock, *Less* Proportion written off				94148	2	5
Bills Payable (chiefly on account of New Ship)		68099	1	3	£250000 Company's 4½% Mortgage Debenture Stock				250000	–	–
PROFIT & LOSS ACCOUNT—Balance		6988	3	9	Cash in hand, at Bankers and on Deposit				336344	6	10
					Cash at Bankers in names of the Trustees for the Mortgage Debenture Stock Holders				184438	6	1
	£	6625615	5	10			£		6625615	5	10

Note.—There is a liability on Contract for new Steam Ship.

THE IMPERIAL TOBACCO COMPANY

Balance Sheet on

Liabilities.

	£ s. d.	£ s. d.	£ s. d.
CAPITAL AUTHORISED :—			
6000000 5½% Cumulative Preference Shares		6000000 – –	
6000000 6% Non-Cumulative Preferred Ordinary Shares		6000000 – –	
3000000 "A" Deferred Ord. Shares (10% Non-Cumulative)		3000000 – –	
3000000 "B" Deferred Ordinary Shares		3000000 – –	
		£18000000 – –	
CAPITAL ISSUED :—			
4959249 5½% Cumulative Preference Shares			4959249 – –
5260469 6% Non-Cumulative Preferred Ordinary Shares			5260469 – –
2638218 "A" Deferred Ord. Shares (10% Non-Cumulative)			2638218 – –
2638218 "B" Deferred Ordinary Shares			2638218 – –
			£15496154 – –
4½% First Mortgage Debenture Stock repayable at the Company's option by 6 months' notice at any time after 31st December, 1911, at £105 per £100)			2065011 – –
Provision for Premium of 5% payable on Redemption of Debenture Stock			103250 – –
Accrued Interest on Debenture Stock			29095 6 8
Creditors and Credit Balances			876478 16 2
Bills Payable and Drafts in transit			60010 15 9
Provision for Pensions, &c.			515362 9 3
General Reserve Account			1750000 – –
PROFIT & LOSS ACCOUNT :—			
Net Trading Profit and Transfer Fees		2193541 9 9	
Less :			
Interest, Management Remuneration, &c.	231356 5 7		
Provision for Pensions, &c.	100000 – –		
Amount written off Freehold Buildings in addition to normal depreciation	100000 – –		
Transfer to General Reserve	250000 – –	681356 5 7	
Balance for the year (per Profit & Loss A/c.)		1512185 4 2	
Balance at 31st October, 1908, after deducting Customers' Bonuses to that date		120218 7 –	
		£1632403 11 2	
Deduct : Interim Dividends paid :			
On 5½% Cumulative Pref. Shares	136379 7 –		
On 6% Non-Cumulative Preferred Ordinary Shares	157814 1 5		
On 10% Non-Cumulative "A" Deferred Ordinary Shares	131910 18 –	426104 6 5	1206299 4 9
			£22101661 12 7

(of Great Britain and Ireland) LIMITED.

31st October, 1909.

Assets.

	£	s.	d.
Land, Buildings, Plant & Machinery at cost, less Amounts written off	1963922	15	4
Goodwill and Patent Rights	9445704	16	11
Investments in Associated Companies	1168986	1	6
Stock-in-Trade, under cost	4401336	15	6
Debtors, *less* Reserve for Discounts and Doubtful Debts	1537378	11	11
Payments on account of Leaf in transit, unexpired Insurances, &c.	102800	6	1
Bills Receivable	2412	19	7
Investments in Government, County Council and Corporation Stocks and Debentures, Railway Debenture and Preference Stocks, valued at published prices at date	2499664	3	7
Corporation Loans not officially quoted, and Deposits for short periods against security	399884	–	–
Cash at Bankers on Deposit and Current Account, and in hand	579571	2	2
	£22101661	12	7

THE IMPERIAL TOBACCO COMPANY (of Great Britain and Ireland), LIMITED.

Dr. Profit and Loss Account for the year ending 31st October, 1909. Cr.

	£	s.	d.		£	s.	d.
To Directors' & Trustees' Fees and Management Remuneration..	97462	5	6	By Net Trading Profit and Interest and Dividends on Investments (including Dividends from Companies operating outside the United Kingdom), Loans and Bank Deposits, after providing for Depreciation of Buildings, Plant, Machinery and Investments, &c., Working Exs., Head Office & Registration Charges	2192986	–	9
,, Interest paid and accrued on Debenture Stock	87762	19	4				
,, Reserve for Income Tax	46131	–	9				
	231356	5	7				
,, Provision for Pensions	100000	–	–				
,, Amount written off Freehold Buildings in addition to normal depreciation	100000	–	–				
,, Transfer to General Reserve Account	250000	–	–				
,, Balance carried to Balance Sheet	1512185	4	2	,, Transfer and other Fees	555	9	–
£	2193541	9	9	£	2193541	9	9

Dr. Appropriation A/c. Cr.

		£	s.	d.		£	s.	d.
To Dividends on 5½ per cent. Cumulative Preference Shares :—					By Balance from last Account £200781 7 4			
Interim Dividend to 30th April, 1909, paid 1st August, 1909	£136379 7 –				*Less* Bonus to Customers paid thereout ..... 80563 – 4	120218	7	–
Half-year's Dividend to 31st October, 1909, paid 1st February, 1910.....	136379 7 –	272758	14	–				
,, Dividends on 6% Non-Cum. Preferred Ordy. Shares :—					,, Balance from Profit & Loss Account for the year	1512185	4	2
Interim Dividend to 30th April, 1909, paid 1st September, 1909	157814 1 5							
Half-year's Dividend to 31st October, 1909, payable 1st March, 1910	157814 1 5	315628	2	10				
,, Dividends on 10% Non-Cum. "A" Deferred Ordy. Shs. :—								
Interim Dividend to 30th April, 1909, paid 1st September, 1909	131910 18 –							
Half-year's Dividend to 31st October, 1909, payable 1st March, 1910	131910 18 –	263821	16	–				
,, Dividends on "B" Deferred Ordinary Shares :—								
Proposed Dividend of 10% for the year (free of Income Tax)	263821 16 –							
Proposed Bonus of 2/- per sh. (free of Inc. Tax)	263821 16 –	527643	12	–				
,, Bonus to Customers for the half-year to 30th April, 1909, paid 14th January, 1910		70152	5	6				
,, Bal. to be carried to next Account (including Reserve for Bonus to Customers, half-year ended 31st Oct., 1909)		182399	–	10				
£		1632403	11	2	£	1632403	11	2

THE LONDON CITY & MIDLAND BANK, LIMITED.

Balance Sheet, 31st December, 1909.

Liabilities.	£	s.	d.	Assets.	£	s.	d.	£	s.	d.
Capital Paid up, viz. :—				Cash and Bullion in hand and at Bank of England ..	13063799	19	9			
£12 10 – per Share on 303928 Shares of £60 each	3799100	–	–	Money at Call and at Short Notice	9808195	15	1	22931995	14	10
Reserve Fund	3419190	–	–	Investments :—						
Dividend payable on 1st February, 1910	341919	–	–	Consols and other British Government Securities (of which £396780 Consols is lodged for Public A/cs.)	3901252	4	9			
Balance of Profit & Loss A/c., as below	179740	–	3	Stocks Guaranteed by the British Government, Indian Stocks, Indian Railway Guaranteed Stocks and Debentures	572420	–	–			
	7739949	–	3	British Railway Debenture and Preference Stocks, British Corporation Stocks	2744922	6	10			
Current, Deposit & other Accounts.....	69644519	16	5	Colonial and Foreign Government Stocks and Bonds	1071507	18	–			
Acceptances on account of Customers.....	5128918	–	7	Sundry Investments	698200	8	5	8988302	18	–
				Bills of Exchange				6795327	3	9
								38715625	16	7
				Advances on Current Accounts, Loans on Security and other A/cs.				36897233	3	4
				Liabilities of Customers for Acceptance as per contra				5128918	–	7
				Bank Premises, at Head Office and Branches				1771609	16	9
£	82513386	17	3				£	82513386	17	3

Dr. Profit & Loss Account for the half-year ending 31st December, 1909. Cr.

	£	s.	d.		£	s.	d.
To Dividend payable 1st February, 1910, being at the rate of 18 per cent. per annum	341919	–	–	By Balance from last Account	173912	8	1
„ Bank Premises Redemption Fund	20000	–	–	„ Net Profits for the half-year ending 31st December, 1909, after providing for all Bad and Doubtful Debts	372746	12	2
„ Officers' Pension Fund	5000	–	–				
„ Balance carried forward to next account	179740	–	3				
£	546659	–	3	£	546659	–	3

EDWARD H. HOLDEN, *Chairman and Managing Director.*
W. G. BRADSHAW, *Deputy-Chairman.*
AIREDALE,
J. A. CHRISTIE,
} Directors.

REPORT of the AUDITORS to the Shareholders of the London City and Midland Bank, Limited.

In accordance with the provisions of Sub-section 2 of Section 113 of the Companies (Consolidation) Act, 1908, we report as follows :

We have examined the above Balance Sheet in detail with the books at Head Office and with the certified Returns from the Branches. We have satisfied ourselves as to the correctness of the Cash Balances and the Bills of Exchange and have verified the correctness of the Money at Call and Short Notice. We have also verified the Securities representing the Investments of the Bank, and having obtained all the information and explanations we have required, we are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.

WHINNEY, SMITH & WHINNEY, Chartered Accountants,
Auditors.

London, *8th January*, 1910.

THE NOVEL PUBLISHING COMPANY, LIMITED.

Balance Sheet on 30th June, 1910.

Liabilities.	£	s.	d.
SHARE CAPITAL Issued and Paid-up 6005 Shares of £5 each	30025	–	–
Sundry Creditors :—			
Bank Overdraft	1867	13	7
On Open Accounts .. £1454 6 7			
Less Reserve for Discount 54 2 2	1400	4	5
	£ 33292	18	–

Assets.	£	s.	d.	£	s.	d.	£	s.	d.
Machinery, Plant & Type	1125	5	8						
Less Depreciation @ 5% per annum	56	5	3	1069	–	5			
Additions for the year				2	4	4	1071	4	9
Engine, Boiler & Shafting				527	19	3			
Less Depreciation @ 5% per annum				26	8	–	501	11	3
Fixtures, Fittings & Furniture				740	10	4			
Less Depreciation @ 5% per annum				37	–	6	703	9	10
Half-Tone Blocks, Electros, Drawings and Copyrights	297	19	5						
Less Depreciation @ 12½% per annum	37	4	10	260	14	7			
Additions for the year				122	8	10	383	3	5
Stereotype Plates and Brass Stamps Labour A/c.	1403	1	10						
Less Depreciation @ 12½% per annum	175	7	8	1227	14	2			
Additions for the year				308	16	9			
Value of Labour				1536	10	11			
Metal A/c.				811	12	6	2348	3	5
Stock of :—Materials				170	4	6			
Sewn Books				664	–	2			
Sheet Books				2992	17	10			
Cases finished and unfinished				123	9	6			
Bound Books				920	14	2			
Waste Gold				5	–	–	4876	6	2
Cash in hand							1	14	4
Sundry Trade Debtors				2765	8	4			
Less Estimated Discount and Provision for Bad and Doubtful Debts @ 5%				260	7	5	2505	–	11
PROFIT & LOSS A/c., 30th June, 1909				20121	15	8			
Add Net Loss for the year				780	8	3	20902	3	11
						£	33292	18	–

GEORGE NEWNES, LIMITED.

NOMINAL CAPITAL £1000000. **Balance Sheet,** 30th June, 1909.

Liabilities.		£ s. d.	Assets.	£ s. d.
CAPITAL Issued—				
500000 5% Cumulative Preference Shares of £1 each, fully paid ..	£500000 – –		Copyrights and Goodwill (balance of cost as at formation of Company)	647500 – –
400000 Ordy. Shs. of £1 ea., fully pd.	400000 – –	900000 – –	Leasehold Buildings in Southampton Street and Exeter Street, Strand; Furniture, Fixtures, &c. (at cost, less depreciation)	50119 – –
Reserve Funds		12500 – –	Machinery and Plant (at cost, less depreciation)	23674 13 4
Creditors—Sundry Accounts		75584 14 4	Investments (at cost)	7500 – –
PROFIT & LOSS ACCOUNT—			Ditto. Reserve Fund (at cost)	12500 – –
Balance from last Account	2297 1 5		Shares in other Companies (at par)	72900 – –
Net Profit for the year	30381 12 5		Cash Balances	45471 15 9
	32678 13 10		Sundry Debtors	105350 9 5
Less Dividend on Preference Shs. (paid 1st Jan., 1909). £12500			New Publications, Advertising, &c.	3631 – –
Less Interim Div. on Ordy. Shs. for half year ending 31st December, 1908 (paid 16th Feb., 1909)..	5000 17500 – –	15178 13 10	Stock on hand	34616 9 8
	£	1003263 8 2	£	1003263 8 2

Dr. **Profit & Loss Account** for twelve months ending 30th June, 1909. **Cr.**

	£ s. d.		£ s. d.
To Dividend on Preference Shares (paid 1st July, '08)	12500 – –	By Balance brought forward from 30th June, 1908	20797 1 5
„ Dividend on Ordy. Shares (paid 7th Aug., 1908).	6000 – –		
„ Balance carried down	2297 1 5		
	£20797 1 5		£20797 1 5
To Dividend on Pref. Shares (paid 1st January, 1909)	12500 – –	By Balance brought down	2297 1 5
„ Interim Dividend on Ordinary Shares at the rate of 2½% per annum for the half-year ending 31st December, 1908 (paid 16th February, 1909) ..	5000 – –	„ Net Profit for the twelve months ending 30th June, 1909, after writing off depreciation on Machinery, Buildings, &c.	30381 12 5
„ Balance carried forward	15178 13 10		
	£32678 13 10		£32678 13 10

FRANK NEWNES, ALFRED JOHNSON, } *Directors.*

HORACE COLE, A.C.I.S., *Secretary.*

LEEDS PUBLIC COCOA HOUSES COMPANY, LIMITED.

Balance Sheet on 30th September, 1909.

Capital & Liabilities.		£ s. d.	Assets.		£ s. d.
Capital called up on 9053 Shares at 17/6 per Share	£7921 7 6		Land, Buildings, Furniture, and Utensils of Trade as at 30th September, 1908.	10063 1 6	
Calls received in advance	27 – –	7948 7 6	*Less* Sales	11 10 –	10051 11 6
Yorkshire Penny Bank Loan on Mortgage	3000 – –		Sundry Debtors		13 – –
Less Cash on Deposit	130 3 6	2869 16 6	Bills Receivable		50 – –
			Cash at Bank		80 12 –
Sundry Creditors		83 9 –	Cash in hand		3 2 3½
Deposit on Valuation		100 – –	Profit & Loss A/c. as at 30 Sept., 1908 .	670 4 2½	
			Add Loss this year	133 3 –	803 7 2½
	£	11001 13 –		£	11001 13 –

Dr. Profit & Loss Account for year ended 30th September, 1909. Cr.

	£ s. d.		£ s. d.
To Provisions, Wages, Rates, Fuel, Repairs and General Expenses	1922 13 2½	By Receipts to 20th May, 1909	1841 12 8½
„ Interest	113 13 6	„ Transfer Fees	2 6
„ Directors' Fees (voted at last Annual Meeting)	21 – –	„ Rent Receivable	98 – –
„ Expenses, re transfer of business	15 11 6	„ LOSS for year	133 3 –
£	2072 18 2½	£	2072 18 2½

On behalf of the Board, J. JACKSON, FRED COATES.

REPORT of the AUDITORS to the Shareholders of the Leeds Public Cocoa Houses Company, Limited.

We have audited the Balance Sheet of the Leeds Public Cocoa Houses Company, Limited, dated the 30th day of September, 1909, above set forth. We have obtained all the information and explanations we have required. In our opinion such Balance Sheet is properly drawn up, so as to exhibit a true and correct view of the state of the Company's affairs, according to the best of our information and explanations given us, and as shown by the books of the Company.

26 Park Row, Leeds, 29th October, 1909.

BEEVER & ADGIE,
Chartered Accountants.

TAYLORS' DRUG COMPANY, LIMITED. Balance Sheet, 30th September, 1908.

Capital & Liabilities.				£	s.	d.	Property & Assets.				£	s.	d.
NOMINAL CAPITAL—							Cash in hand				1405	10	1½
50000 6% Cumulative Preference Shares, £1 each	£50000	–	–				Sundry Debtors				898	11	6½
50000 Ordinary Shares, £1 each	50000	–	–				Shares in other Companies at last year's values				262	10	–
	£100000	–	–				Stock in Leeds and Branches, certified at or under cost				72174	4	9
SUBSCRIBED CAPITAL—							Freehold & Leasehold Properties.						
38202 fully paid Preference Shares	38202	–	–				Plant and Fixtures as in 1907	103988	8	5			
30000 fully paid Ordinary Shares	30000	–	–	68202	–	–	Purchases this year	2788	12	4	106777	–	9
Loans upon Mortgage of the Freehold and Leasehold Properties of the Company with Int. to 30 Sept., 1908				41974	8	8							
Debentures with Interest to 30th September, 1908				30375	–	–							
Sundry Creditors				22640	11	1½							
Reserve Account, 1907	12600	11	1										
Proportion Profits 1907 added	2081	2	7	14681	13	8							
PROFIT & LOSS ACCOUNT—													
Balance from 1907	630	8	2½										
Profit this year as per Account	6805	17	11	7436	6	1½							
Preference Dividend paid for year to 30th September, 1908	2292	2	5										
Interim Dividend on Ordinary Shares at 5%, paid 31st July, 1908	1500	–	–	3792	2	5							
				3644	3	8½							
			£	181517	17	2				£	181517	17	2

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Dr. Profit & Loss Account for the year ended 30th September, 1908. Cr.

	£	s.	d.		£	s.	d.
To Repairs and Renewals of Plant and Fixtures	2085	18	4½	By Profit from Trade Account	12326	16	4
„ Managing Directors' Salary	1000	–	–	„ Rents received	1095	2	10½
„ Income Tax Account Balance	302	2	6	„ Interest received from Investments	23	7	11
„ Interest on Mortgages, Debentures, &c.	3255	15	10	„ Transfer Fees	4	7	6
	6643	16	8½				
„ Net Profit for the year	6805	17	11				
	£13449	14	7½		£13449	14	7½

WM. B. MASON,
EDWARD FLETCHER, } *Directors.*

REPORT of the AUDITORS to the Shareholders of Taylors' Drug Company, Limited.

We beg to report that we have obtained all the information and explanations that we have required, and we have examined the above Balance Sheet, dated 30th September, 1908, with the books of the Company, and in our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

Leeds, 1*st December*, 1908.

LEE & WHITFIELD,
Chartered Accountants } *Auditors.*

BARRETT'S BREWERY & BOTTLING COMPANY, LTD.

Dr. **Profit & Loss A/c.** for the year ending 31st December, 1902. **Cr.**

	£	s.	d.		£	s.	d.	£	s.	d.
To Stock on hand at 1st January, 1902 ..	62436	2	7	By Sales Net				134280	1	10
„ Purchases since, Net, including Duty on Beer	84342	12	7	„ Dividends on Investments	£360	19	9			
„ Salaries & Wages, Rents, Rates & Taxes	25155	8	9	„ Transfer Fees	12	17	6	373	17	3
„ Repairs & Renewals, Stable & General Exs., Fuel, Advertising, Travelling, &c.	19268	19	–	„ Stock on hand at 31st December, 1902 ..	65181	6	6			
„ Bad Debts written off	676	1	4	*Less* Depreciation	1032	5	5	64149	1	1
„ Balance carried down	6923	15	11							
£	198803	–	2				£	198803	–	2

	£	s.	d.		£	s.	d.
To Depreciation, &c.				By Balance brought down.....			
„ Horses, Plant & Machinery, Stoppers, &c.	2393	12	11		6923	15	11
„ Leasehold Redemption Fund	179	3	2				
„ Balance (Net Profit for the year carried down)	4350	19	10				
£	6923	15	11	£	6923	15	11

	£	s.	d.		£	s.	d.
To Directors' Fees	350	–	–	By Balance brought forward from 1901 A/c.	278	11	9
„ Auditors' Fees	75	–	–				
„ Balance to Balance Sheet	4204	11	7	„ Net Profit for the year ending 31st December, 1902, brought down ..	4350	19	10
£	4629	11	7	£	4629	11	7

Balance Sheet as at 31st December, 1902.

Liabilities.	£	s.	d.	Assets.	£	s.	d.	£	s.	d.
CAPITAL :—Amount authorised				Freehold Property				84702	18	2
60000 5% Preference Shares of £2 10 each	150000			Leasehold Property				15017	17	1
60000 Ordinary Shares of £2 10 each	150000			Goodwill				85000	–	–
				Trade Investments at cost				7360	–	–
120000	£300000			Sundry Debtors				21110	1	9
				Cash at Bank and in hand	9264	8	2			
Amount issued :—				Do. (on deposit)	6000	–	–	15264	8	2
50000 5% Preference Shares of £2 10 each, fully paid	125000			C. Hopkinson & Sons in Liquidation :—						
50000 Ordinary Shares of £2 10 each, fully paid	125000	250000	– –	Balance due	1036	17	4			
				Less Transferred from Reserve Fund	500	–	–	536	17	4
100000				Plant & Machinery :—						
				Amount as per last A/c. £7112 2 10						
Loan		25000	– –	*Add* Subsequent Outlay..... 360 3 3	7472	6	1			
Sundry Creditors		26576	6 8							
Reserve Fund :—				*Less* Depreciation	186	16	2	7285	9	11
Amount as per last Account	£18500									
Less Amount written off C. Hopkinson & Sons in Liquidation	500	18000	– –	Stock at 31st December, 1902..	65181	6	6			
				Less Depreciation	1032	5	5	64149	1	1
Leasehold Redemption Fund		1815	7 1	Casks, Horses, Vans, &c.				12003	16	–
PROFIT & LOSS A/c. : Balance as per A/c.....		4204	11 7	Stoppers & Rubbers	13396	8	6			
				Less Depreciation	662	17	6	12733	11	–
				Office Furniture & Fixtures ...				432	4	10
	£	325596	5 4				£	325596	5	4

THE BLACKPOOL TOWER COMPANY, LIMITED.

Dr. Revenue A/c. for the year ending 30th September, 1895. Cr.

To Expenditure :—	£	s.	d.	By Receipts :—	£	s.	d.
Salaries, Wages, Tower & Circus Orchestras & Variety Artistes..	16268	1	2	Admissions, Rents, &c.	53106	11	10
Advertising, Printing & Stationery, Programmes, Posting	1686	13	8				
Chief Rents, Rates, Taxes, Income Tax, Insurance & Licenses ..	2301	13	2				
Electric Light, Gas & Water	1659	10	9				
Carriage, Cartage, Coals, Stores & Materials	767	1	4				
Travelling Expenses, Telegrams & Stamps.....	301	3	3				
Directors' Remuneration	600	–	–				
Miscellaneous Charges & Expenses	781	2	9				
Stage Properties, Repairs, Maintenance of Building, Painting, &c.	1264	13	8				
Animals & Plant purchased	707	16	3				
Animals Food & Sea Water for Tanks	854	1	8				
Spirits, Wines, Beer. Cigars & Minerals consumed during year ..	4264	16	8				
Legal Expenses	260	4	2				
Balance carried to General Profit & Loss A/c.	21389	13	4				
£	53106	11	10	£	53106	11	10

Dr. General Profit & Loss Account. Cr.

To Interest Account :—	£	s.	d.	£	s.	d.	By Balance brought down, being Gross Profit for the year to date	£	s.	d.
Interest on Mortgage of £30000 to 30th September	1160	–	–							
Interest on Debentures up to 30th September.....	4387	17	2							
Bank Interest and Commission	111	4	5	5659	1	7		21389	13	4
„ Depreciation as under :—										
Fixed and Loose Plant, Electric Light & Furniture	2000	–	–							
Aquarium Animals, Tanks & Fittings	1500	–	–							
Gas Plant, Heating & Cooking Apparatus	363	2	–	3863	2	–				
„ Preliminary & Formation Expenses & Development—										
Amount written off.....				1905	5	–				
„ Reserve Fund :—										
Amount set aside this year				1500	–	–				
Balance being Net Profit for the year carried down				8462	4	9				
£				21389	13	4	£	21389	13	4
„ Balance being total Profit carried to Balance Sheet				8812	15	4	By Balance brought down being Net Profit for the year	8462	4	9
							„ Balance of Profit brought forward 30th September, 1894 ...	350	10	7
£				8812	15	4	£	8812	15	4

Balance Sheet, 30th September, 1895.

Capital & Liabilities.		£ s. d.
NOMINAL CAPITAL—		
40000 6% Preferred Ordy. Shares of £1 ea...	£40000	
105000 Ordinary Shares of £1 each	105000	
5000 Founders' Shares of £1 each	5000	
150000	150000	
CAPITAL ISSUED & SUBSCRIBED—		
6% Preferred Ordinary Shares—		
40000 Shares of £1 each, fully called..	40000 – –	
Less 81 Shares forfeited	81 – –	39919 – –
Ordinary Shares—		
105000 Shares of £1 each, fully called..	105000 – –	
Less 901 Shares forfeited	901 – –	104099 – –
Founders' Shares—		
5000 Shares of £1 each, fully called...	5000 – –	
Less 215 Shares forfeited	215 – –	4785 – –
Total paid up Share Capital		148803 – –
Corporation of Blackpool		
Mortgage of Land and Buildings		30000 – –
Debentures Issued and Subscribed—		
1400 " A " Debentures of £50 ea., fully called.....	70000 – –	
Less Arrears	90 – –	69910 – –
600 " B " Debs. of £50 each, fully paid	30000 – –	
Less Arrears	900 – –	29100 – –
Sundry Creditors as per Ledger including Mortgage and Debenture Interest to date		6127 19 –
Reserve Fund—		
Amount set aside last year	500 – –	
Amount set aside this year	1500 – –	2000 – –
PROFIT & LOSS ACCOUNT—		
Balance as at 30th September, 1894 .	5440 7 11	
Less Div. declared & paid, Nov., 1894	5089 17 4	
	350 10 7	
Add Profit for the year as per General Profit and Loss Account	8462 4 9	8812 15 4
		£294753 14 4

Property & Assets.		£ s. d.	£ s. d.
Capital Expenditure as under—			
Purchase of Property			73404 10 5
Construction Account.....		141778 2 2	
Add Expenditure made during the yr.		37291 10 11	179069 13 1
Animals, Tanks, Fttgs., &c. in Aquar.		5000 – –	
Less Depreciation written off		1500 – –	3500 – –
Fixed & Loose Plant, Electric Light Furnishing, Furniture and Fittings..	10934 18 9		
Add Expen. during year	8423 7 –	19358 5 9	
Less Depreciation written off		2000 – –	17358 5 9
Gas Plant, Heating and Cooking Apparatus	2400 – –		
Add Expen. during year	1233 2 –	3633 2 –	
Less Depreciation		363 2 –	3270 – –
Formation & Preliminary Exs. A/c. ...		2910 6 11	
Development Account		2193 17 4	
		5104 4 3	
Add Expenditure during year		109 17 –	
		5214 1 3	
Less Cash recd. on Shs. forfeited this year ...	145 13 –		
Premium received on Shs. allotted this year	1257 18 3	1403 11 3	
		3810 10 –	
Less amount written off		1905 5 –	1905 5 –
Sundry Debtors and Prepaid Rates— As per Ledger Accounts.....			1423 6 10
Stock on hand— Wines, Spirits, Beer, Cigars, &c.			1631 2 10
Cash—			
Lancashire and Yorkshire Bank		13136 6 8	
Cash in hands of Manager & at Bars.		55 3 9	13191 10 5
			£294753 14 4

THE ANGLO-FRENCH EXPLORATION COMPANY, LIMITED.

Balance Sheet, 31st December, 1909.

		£	s.	d.
SHARE CAPITAL :—				
Authorised and Issued.				
500000 Ordinary Shares of £1 each, fully paid	500000	–	–	
500000 6 per cent. Cumulative Preference Shares of £1 each fully paid	500000	–	–	
1000000 Shares.	1000000	–	–	
Contracts for Purchase of Shares for delivery in January, 1910	11040	15	6	
Creditors—				
London	£6966 18 3			
South Africa	1403 17 6	8370	15	9
Dividend on Preference Shares for Half-year to 31st December, 1909, and Unclaimed Dividends (less Income Tax)	15241	11	4	
Reserve Fund—Amount transferred from Appropriation Account for 1908	50000	–	–	
Add amount transferred from Appropriation Account for 1909	100000	–	–	
	150000	–	–	
PROFIT & LOSS ACCOUNT balance subject on distribution to the percentages payable to the Managing Director in London, and to the Managing Director, Consulting Engineer and the Sub-Manager in South Africa pursuant to their Agreements	154808	11	6	
NOTE.—There are liabilities in respect of Shares and Loans partly paid and Interests amounting together to £69651 6s 7d., of which £2704 3s. 4d., is recoverable from participants.				
	£ 1339461	14	1	

		£	s.	d.
Cash :—				
London—London Joint Stock Bank, Limited, on Current Account and on Dividend Accounts		9677	6	11
South Africa—Standard Bank of South Africa, Limited, £15590 13s. 11d.; Petty Cash, £12 13s. 2d.		15603	7	1
		25280	14	–
Advances against Securities, including Shares "taken-in" :—				
London (available at short notice)		472150	11	2
Contracts for Sales of Shares for delivery in January, 1910		35337	4	–
Temporary Investments in British Government and London County Stocks and Indian and Foreign Railway Securities		100005	15	6
Debentures		42309	–	–
Shares in Companies, Properties and Interests in South Africa		562160	4	3
Shares in Companies operating in other parts of the world, chiefly Australia		86817	15	5
Loans—South Africa		5632	14	4
Debtors :—				
London	£5384 1 –			
South Africa	1920 19 5	7305	–	5
Office Furniture and Fittings :—				
London	844 11 6			
South Africa	1618 3 6	2462	15	–
	£ 1339461	14	1	

Dr. **Appropriation Account** for the Year 1908. **Cr.**

	£	s.	d.		£	s.	d.
To Dividend on the Ordinary Shares for the year 1908 at the rate of 10% per annum declared 21st April, 1909	50000	–	–	By Balance brought forward from 1908	147540	5	11
,, Commissions on above Dividend, Managing Director, London, and Managing Director, Consulting Engineer, and Sub-Manager, South Africa	5065	1	4				
,, Amount Transferred to Reserve Fund	50000	–	–				
,, Balance carried down to Appropriation A/c., 1909	42475	4	7				
	£147540	5	11		£147540	5	11

Dr. **Profit & Loss Account** for the Year ending 31st December, 1909. **Cr.**

	£	s.	d.		£	s.	d.
To Directors' Fees	1250	–	–	By Dividends, Interest on Loans, Commissions and Sundry Credits	53369	8	7
,, Salaries (including Managing Directors' Salaries), Rent, Audit Fees, and Travelling, Office and General Expenses, London and South Africa, less Transfer Fees, and amounts charged to other Companies	11426	1	10	,, Profits realised by Sales of Shares and Debentures, including £11108 13s. 1d. Profit on Sales for forward delivery	250652	12	–
,, Cablegrams	307	2	1				
,, Donations	242	10	–				
,, Premiums on Insurance of Office Staff—London (balance)	314	2	2				
,, Realised losses and Amounts written off—London and South Africa	48148	17	7				
,, Balance carried to Appropriation Account	242333	6	11				
	£304022	–	7		£304022	–	7

Dr. **Appropriation Account** for the Year 1909. **Cr.**

	£	s.	d.		£	s.	d.
To Six per cent. Preference Dividend	30000	–	–	By Balance brought down from Appropriation Account, 1908	42475	4	7
,, Amount transferred to Reserve Fund	100000	–	–	,, Balance brought from Profit & Loss Account as above	242333	6	11
,, Balance carried to Balance Sheet	154808	11	6				
	£284808	11	6		£284808	11	6

CROWN MINES,

(FORMERLY CROWN DEEP, LIMITED

Balance Sheet,

Liabilities.	£	s.	d.
CAPITAL ACCOUNT—Authorised			
Under resolutions of Special General Meeting held on 21st April, 1909			
2000000 shares of 10s. each	1000000	–	–
Less—			
119788 shares of 10s. each in reserve	59894	–	–
Issued 1880212 shares of 10s. each.	940106	–	–
Made up as follows :—			
As per Balance Sheet 1st July, 1909, attached to Amalgamation Accounts—			
1863012 shares of 10s. each £931506			
Further issue to cover cost acquiring certain property and assets from the Paarl Ophir Gold Mining and Milling Company, Limited, under Board Minute dated 18th September, 1909—			
17200 shares of 10s. each 8600			
1880212 shares of 10s. each £940106			
Funds transferred from Appropriation Account—			
For expenditure on property, development and equipment for the six months ending 31st December, 1909, provided out of profits	132052	10	6
	1072158	10	6
Gold Reserve Account	28767	1	1
Sundry Creditors—			
On account of unpaid and unclaimed dividends, wages, stores, Government Tax on profits, etc.	797834	17	5
Balance of Appropriation Account—			
Unappropriated	401245	7	–
NOTES I.—There are further liabilities on account of shares subscribed for in other Companies as under, viz. :—			
Co-operative Exchange Yard, Ltd.—			
£64 per share uncalled on 209 shares £13376			
Witwatersrand Native Labour Association, Ltd.—			
8s. per share uncalled on 2200 shares £880			
14s. per share uncalled on 10240 shares 7168 8048			
Witwatersrand Co-operative Smelting Works, Ltd.—			
12s. per share uncalled on 4270 shares 2562			
£23986			
I.—There are also contracts open for the supply of additional equipment, etc., and an undetermined liability to the French Government in respect of fiscal taxes,			
£	2300005	16	–

LIMITED.

INCORPORATED IN THE TRANSVAAL).

31st December, 1909.

Assets.			£ s. d.
Property, Development and Equipment—			
As per Balance Sheet and Amalgamation Account 1st July, 1909			931506 – –
Add—			
Expended during the six months ending 31st December, 1909—			
Development	£24437 8 2		
Equipment.....	106112 16 5	£130550 4 7	
Property and Assets acquired from the Paarl Ophir Gold Mining and Milling Co., Ltd.		10102 5 11	140652 10 6
			1072158 10 6
Shares in other Companies at cost—			
Co-operative Exchange Yard, Ltd.—			
209 £80 shares, £16 per share paid		3344 – –	
Rand Mutual Assurance Co., Ltd.—			
940 £10 shares, fully paid		9400 – –	
Witwatersrand Native Labour Association, Ltd.—			
2200 £1 shares, 12s. per share paid	£1320 – –		
10240 £1 shares, 6s. per share paid	3072 – –		
		4392 – –	
Witwatersrand Co-operative Smelting Works, Ltd.—			
4270 £1 shares, 8s. per share paid		1708 – –	
		18844 – –	
Stores and Materials—			
In Stock	81503 13 7		
In Transit	2675 – 6		
	84178 14 1		
Live Stock and Vehicles, &c.	4767 1 11		
Furniture	8256 8 9		
Bearer Share Warrants	2892 18 2	100095 2 11	
Deposits fixed and on Call, bearing Interest ..	769382 11 7		
Cash at Bankers and in hand	2171 17 7		
Gold Consignment Account	105155 7 7	876709 16 9	
Investments—			
£40000 Transvaal Govmt. 3 per cent. stock.	38556 3 11		
£20000 Cape Government 4 per cent. stock..	20000 – –		
£128071 3s. 2d. British 2½ per cent. Consols	102456 18 –		
£30550 13s. 8d. Johannesburg Municipal 4 per cent. stock	27495 12 –		
£1450 Rand Mines, Ltd., 5 per cent. debs. ..	1522 10 –		
£3200 Mexico Electric Tramways Co., Ltd., 5 per cent. debentures	2880 – –	192911 3 11	
Sundry Debtors and Payments in Advance		39287 1 11	1227847 5 6
		£	2300005 16 –

CROWN MINES, LIMITED. (Formerly Crown Deep, Limited.) INCORPORATED IN THE TRANSVAAL.

Dr. Working Expenditure and Revenue Account for the Year ending 31st December, 1909. **Cr.**

	£ s. d.	£ s. d.		£ s. d.
To Mining Expenses—			By Gold Account	1647844 15 3
Mining	462935 13 11			
Developing	57977 5 2	520912 19 1		
„ Reduction Expenses		213439 11 7		
„ General Expenses—Mine		48432 6 6		
„ General Expenses—Head Office—				
Salaries, Agency Fees and Rent	8514 16 5			
Stationery, Printing, Advertising, Postages and Telegrams	1509 12 9			
Directors' and Auditors' Fees	6530 10 –			
Licenses	4552 12 6			
Sundry	3816 18 1			
	£24924 9 9			
Less Sundry Revenue	6278 8 4	18646 1 5		
		801430 18 7		
CREDIT BALANCE on Working for the year carried down		846413 16 8		
		£1647844 15 3		£1647844 15 3
To Credit Balance carried to Appropriation Account		885458 17 10	By Balance brought down	846413 16 8
			„ Interest	21646 – 1
			„ Mining Expenses— Amount charged to working costs, to provide for the cost of deepening this company's shafts, and paid for by South Rand G.M. Co., Ltd., now reversed by Amalgamation	9100 – –
			„ Profit on Treatment of Accumulated Slimes	5992 6 10
			„ Profit on Dump Treatment	957 10 2
			„ Freehold Revenue	709 5 2
			„ Estates Revenue	639 18 11
		£ 885458 17 10		£ 885458 17 10

H. A. READ, *Secretary.* SAMUEL EVANS, *Chairman.* H. A. ROGERS, *Director.*

We have examined the above Balance Sheet with the books, accounts and vouchers of the Company. We beg to report that we have obtained all the information and explanations we have required and that, subject to confirmation of the Amalgamation Account and Balance Sheet dated 1st July, 1909, in our opinion this Balance Sheet contains the particulars required by the Company's Articles of Association and is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company. See our further report of even date.

Johannesburg, 3rd March, 1910.

C. L. ANDERSON & CO., *Incorporated Accountants,*
HOWARD PIM, *Chartered Accountant,* } *Auditors.*

Dr. **Appropriation Account.** **Cr.**

	£	s.	d.		£	s.	d.
To Expended on Capital Account—				By Balance Unappropriated—			
For the six months ending 31st Dec., 1909.				As per Balance Sheet, 31st December, 1908	279973	18	3
On Property	1502	5	11	„ Balance of Working Expenditure and Revenue A/c. ...			
On new works	130550	4	7	For the year ending 31st December, 1909	885458	17	10
	132052	10	6	„ Balance of Appropriation and Profit & Loss Accounts Taken over from absorbed Companies, as per Amalgamation Account dated 1st July, 1909	323430	5	3
„ Transvaal Government Taxes—				Langlaagte Deep, Ltd. £92017 10 10			
For the year ending 31st December, 1909, under the Profits Tax Ordinance	74149	16	–	Crown Reef G.M. Co., Ltd. 67489 4 8			
				Robinson Central Deep, Ltd. 163923 9 9			
„ Dividend Account—				„ Dividends on Shareholdings—			
Interim Dividend No. 16 of 70 per cent. on Issued Capital of £300000, declared 16th June, 1909 ..... £210000 – –				Robinson Central Deep, Ltd.—			
				Dividend No. 9 of 50 per cent. for the half-year ending 30th June, 1909	33851	10	–
Interim Dividend No. 17 of 65 per cent. on Issued Capital of £940106 declared 10th December, 1909 ..... 611068 18 –				„ Expended on Shares (previous years)—			
				Reversal of amount provided out of profits for Shares acquired up to 31st Dec., 1908, as per Balance Sheet ... 74675 5 6			
	821068	18	–	Less—			
				Expended on Capital Account—			
„ Amalgamation and Liquidation Expenses—				For the six months ending 30th June, 1909—			
For the six months ending 31st Dec., 1909 ...	14119	7	6	On new works £9169 7 5			
				On sinking incline shafts to southern boundary, provisionally charged to South Rand G.M. Co., Ltd., now taken over in view of amalgamation 31232 4 2	40401	11	7
„ Amount written off							
As per Amalgamation Account, 1st July, 1909	114352	6	3				
„ Balance Unappropriated—							
Carried to Balance Sheet	401245	7	–				
				See contingent liability in Balance Sheet at 31st Dec., 1908			
	£1556988	5	3		£1556988	5	3

WITWATERSRAND GOLD MINING COMPANY, LIMITED.

Balance Sheet at 31st December, 1909.

Liabilities	£	s.	d.	Assets.	£	s.	d.	£	s.	d.
CAPITAL	425000	–	–	Property				130232	1	–
425000 Shares of £1 each, authorised and issued				102263 Claims, Mynpacht, Werf, Water-rights Nos. 76 (or 27), 100, 101, and 170, Machine Stand and Freehold Portion of Farm Driefontain, No. 148						
Dividend No. 11—17½ per cent. declared payable to Shareholders Registered at 31st December, 1909	74375	–	–	Permanent Works, £69202 10s. 10d.; less Depreciation, £6920 5s. 1d.	62282	5	9			
Unclaimed Dividends	1588	7	1	Machinery and Plant, £206173 6s.; less Depreciation, £20617 6s. 7d.	185555	19	5			
Native Wages in Suspense	5454	10	8	Buildings, £61991 6s. 2d.; less Depreciation, £6199 2s. 7d.	55792	3	7			
Sundry Creditors	11303	3	1	Dams and Reservoirs, £7419 5s. 7d.; less Depreciation, £5564 9s. 2d.	1854	16	5			
Transvaal Government	9438	16	–	Railway Siding, £7411 3s. 6d.; less Depreciation, £741 2s. 4d.	6670	1	2			
Profits Tax for 12 months to 31st December, 1909 (estimated).				Joint Hospital	336	–	4			
Appropriation Account	121921	10	4	Live Stock and Vehicles	231	13	6			
Balance unappropriated				Furniture	240	–	–	312963	–	2
Contingent Liabilities:—Witwatersrand Native Labour Association, Ltd.—8s. per Share on 580 Shares, £232: 14s. per Share on 3740 Shares, £2618. Witwatersrand Co-operative Smelting Works, Ltd.—12s. per Share on 1040 Shares, £624. Total £3474.				Share Investments				3611	–	–
				Stores on hand and in Transit				12298	17	5
				Native Recruiting				1327	12	2
				Sundry Debtors and Payments in advance				2841	10	8
				May Consolidated Co., Ltd.				27000	–	–
				Gold in Transit				22145	14	2
				Cash on Deposit and Interest Accrued				127993	13	1
				Cash at Bankers and Mine				8667	18	6
	£649081	7	2					£649081	7	2

REPORT.

To the Shareholders, WITWATERSRAND GOLD MINING COMPANY, LTD.—We report that we have examined the above Balance Sheet with the Books and Vouchers of the Company in Johannesburg for the year ended 31st December, 1909, and have obtained all the information and explanations we have required as Auditors. In our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the Books of the Company in Johannesburg and the Accounts from London.

Johannesburg, 22nd March, 1910.

F. W. DIAMOND, Incorporated Accountant,
BALL AND STUART,
} Auditors.

J. MUNRO,
J. F. RUTHERFORD,
} Directors.

For JOHANNESBURG CONSOLIDATED INVESTMENT CO., LTD., Secretaries FRANK HALL.

Dr. Working Expenditure & Revenue Account for the Twelve Months ended 31st December, 1909. Cr.

	£ s. d.	£ s. d.		£ s. d.	£ s. d.
To Mining	129216 – 8		By Battery Gold—		
„ Development	17937 19 6		62748045 fine ozs.	266945 13 8	
„ Hoisting	16917 8 4		„ Cyanide Gold		
„ Pumping	5474 16 5		36132072 fine ozs.	153710 13 –	420656 6 8
„ Transport of Ore	2813 19 3				
„ Ore Sorting	4999 14 9				
„ Crushing	2556 17 3				
„ Milling	27206 16 6				
„ Cyaniding Sand	19258 2 7				
„ Cyaniding Slime	6768 3 4				
„ General Expenses at Mine	12557 19 6	245707 18 1			
„ General Expenses at Head Office (including Gold Charges)		19482 6 3			
„ Credit Balance on Working for year carried down		155466 2 4			
		£420656 6 8			£420656 6 8

	£ s. d.	£ s. d.		£ s. d.	£ s. d.
To Credit Balance carried to Appropriation Account		175037 14 6	By Balance brought down.		155466 2 4
			„ Estate Revenue	13730 17 5	
			„ Rents&SundryRevenue	2532 3 11	
			„ Interest	2708 10 10	
			„ Rand Mutual Assurance Co., Ltd. (Dividend)	600 – –	19571 12 2
		£175037 14 6			£175037 14 6

Dr. Appropriation Account. Cr.

	£ s. d.		£ s. d.	£ s. d.
To Dividend No. 10—17½ per cent., to Shareholders registered 30th June, 1909	74375 – –	By Balance of Account at 31st December, 1908.	119374 15 6	
„ Dividend No. 11—17½ per cent., to Shareholders registered 31st Dec., 1909	74375 – –	*Add* Amount at credit of Share Premium at 31st December, 1908.	55157 13 8	174532 9 2
„ Donations	350 – –			
„ Profit Tax—Estimated amount of Tax for year ended 31st December, 1909, £9438 16s.; additional amount to 31st December, 1908, in consequence of re-estimate of life of Mine, £3181 6s.	12623 2 –	„ Balance of Working Expenditure and Revenue Account for the year ended 31st December, 1909		175037 14 6
„ Depreciation on Stores	787 1 8			
„ Depreciation as per Balance Sheet	40042 5 9			
„ Flooding Disaster	25096 3 11			
„ Unwatering Mine & other Expenditure, £52096 3s. 11d.; Less Amount since agreed to be accepted from May Consolidated Co., Ltd., as compromise for damages owing to the bursting of their dam, £27000				
„ Balance Unappropriated carried to Balance Sheet	121921 10 4			
	£349570 3 8			£349570 3 8

NEW PRIMROSE GOLD MINING CO., LTD.

Balance Sheet at 31st December, 1909.

	£	s.	d.		£	s.	d.
Capital	325000	–	–	Property—156 Claims, 8 Machine Stands	205884	4	6
325000 Shares of £1 each fully issued.				Machinery and Plant, £78778 7s.; Less Depreciation £3938 18s. 4d. £74839 8 8			
Dividend No. 33 of 20 per cent. and Bonus of 15 per cent., payable to Shareholders registered 31st December, 1909	113750	–	–	Permanent Works, £11399 2s. 8d.; Less Depreciation, £569 19s. 2d. 10829 3 6			
Dividends Unclaimed	1233	16	7	Buildings, £22493 13s.; Less Depreciation, £1124 13s. 8d. 21368 19 4			
Transvaal Government	14872	16	–	Dams and Reservoirs, £4346 14s. 3d.;			
Estimated Gold Profits Tax, 1909.				Less Depreciation, £1022 9s. 6d. 3324 4 9			
Sundry Creditors	7372	15	9	Railway Siding, £1697 7s.; Less Depreciation, £84 17s. 4d. 1612 9 8			
Native Wages earned but not yet paid	2932	3	4	Hospital 389 9 2			
BALANCE (Profit and Loss Account)	48924	9	7	Live Stock and Vehicles 113 10 –	112477	5	1
Contingent Liabilities—8s. per Share on 399 Shares Witwatersrand Native Labour Association, Ltd., £159 12s.; 14s. per Share on 1980 Shares, Native Labour Association Special Shares £1386; 12s. per Share on 600 Shares, Witwatersrand Co-operative Smelting Works, Ltd, £360 £1905 12 –				Native Recruiting	1113	13	9
				Share Investments	3370	8	9
				Stores	4486	5	8
				Sundry Debtors and Payments in advance	2147	11	2
				Gold in Transit	24937	10	1
				Cash on Deposit and Interest accrued	142823	4	8
				Cash at Bank and at Mine	16845	17	7
£	514086	1	3	£	514086	1	3

For Johannesburg Consolidated Investment Co., Ltd.,
per Frank Hall.
Secretaries.

JOHN MUNRO,
J. F. RUTHERFORD, } Directors.

To the Shareholders, NEW PRIMROSE GOLD MINING CO., LTD.

We report that we have examined the above Balance Sheet with the Books and Vouchers of the Company in Johannesburg for the year ended 31st December, 1909, and have obtained all the information and explanations we have required as Auditors In our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the Books of the Company in Johannesburg and the Accounts from London.

J. P. O'REILLY,
F. W. DIAMOND, } Auditors.
Incorporated Accountants,

Johannesburg, 24th March, 1910.

Dr. **Profit & Loss Account—No. 1 for Twelve Months ended December 31st, 1909.** **Cr.**

	£	s.	d.	£	s.	d.		£	s.	d.	£	s.	d.
To Mining	83145	13	2				By Battery Gold	225270	9	10			
„ Development	9251	15	3				52956994 fine ozs.						
„ Hoisting	17719	9	5				„ Cyanide Gold	128334	17	11	353605	7	9
„ Pumping	12297	14	8				30192671 fine ozs.						
„ Transport of Ore	2470	17	2				„ Gold from Treatment of Accumulated Slimes 6302363 fine ozs.				26789	1	5
„ Ore Sorting	2266	12	–										
„ Crushing	1597	17	5										
„ Milling	18754	13	1										
„ Cyaniding Sand	17474	10	5										
„ Cyaniding Slime	6802	19	8										
„ General Expenses	8762	19	6	180545	1	9							
Cyaniding Accumulated Slimes				6622	7	–							
„ General Charges (including Gold Realisation Charges)				17209	14	4							
„ Balance to Profit and Loss Account No. 2				176017	6	1							
				£380394	9	2					£380394	9	2

Dr. **Profit & Loss Account—No. 2 for Twelve Months ended 31st December, 1909.** **Cr.**

	£	s.	d.		£	s.	d.
To Dividend No. 32 of 20 per cent. (30/6/09)	65000	–	–	By Balance from last Account	70530	9	5
„ Dividend No. 33 of 20 per cent. and Bonus of 15 per cent. (31/12/09)	113750	–	–	„ Balance from Profit & Loss Account No. 1	176017	6	1
„ Donations	500	–	–	„ Rents	1606	8	–
„ Gold Profits Tax, 1909 £14872 16 –				„ Interest	2975	5	10
Additional Tax, 1908 3 12 –	14876	8	–	„ Rand Mutual Assurance Co., Ltd., Dividend Account	2100	–	–
Expenditure opening up May Deep Section	3437	13	9				
Depreciation as per Balance Sheet	6740	18	–				
Balance to next Account	48924	9	7				
	£253229	9	4		£253229	9	4

RANDFONTEIN

Balance Sheet

Liabilities.		£	s.	d.
CAPITAL—				
Issued Capital as per Balance Sheet at 30/9/09		740340	–	–
Less Reduction passed at Special Gen. Meeting held 22nd July, 1909		370170	–	–
		370170	–	–
Increase of Capital passed at above Meeting		579830	–	–
Authorised Capital		950000	–	–
Deduct Shares under option at 30s. per Share to 25th Sept., 1912, but not yet created		246780	–	–
Registered Capital		703220	–	–
Deduct Shares in Reserve		35331	–	–
ISSUED CAPITAL—667889 Shares of £1 each		667889	–	–
Share Premium		126695	–	–
Native Wages earned but not yet paid		495	1	4
Sundry Creditors		4522	5	2
Capital Suspense A/c	£370170 – –			
Less written off as opposite	370170 – –			
Contingent Liabilities—				
Witwatersrand Native Labour Association, Ltd., 70 Shares at 8s. per Share, £28; Machinery and Plant on order, &c., £22580 13s.	22608 13 –			
Summary of Amts. written off against reduction of Capital—				
Property	180484 3 11			
Mine Buildings	3969 10 11			
Machinery and Plant	17328 – 11			
Development	64306 5 3			
Furniture and Fittings	237 14 8			
Tree Planting, &c.	719 17 1			
Loss on Stores, Live Stock and Vehicles	457 14 7			
General Expenditure	39255 17 2			
Mine Expenditure	63410 15 6			
	£370170 – –			
		£ 799601	6	6

REPORT

To the Shareholders of the Randfontein Deep, Limited. We report that Company in Johannesburg, for the period ended 31st December, 1909, and have our opinion such Balance Sheet is properly drawn up so as to exhibit a true and information and the explanations given to us, and as shown by the Books of the

Johannesburg, 26th March, 1910.
For JOHANNESBURG CONSOLIDATED INVESTMENT CO., Ltd., Secs.
FRANK HALL.

DEEP, LIMITED.

at December, 1909.

Assets.	£	s.	d.	£	s.	d.
Property	630484	3	11			
11111247 Claims, 6 Water-rights, Mynpacht No. 397						
Less written off against reduction of Capital	180484	3	11	450000	–	–
Mine Buildings	7919	10	11			
Less written off against reduction of Capital	3969	10	11	3950	–	–
Machinery and Plant	23128	–	11			
Less written off against reduction of Capital	17328	–	11	5800	–	–
Furniture, Fittings, and Instruments	472	14	8			
Less written off against reduction of Capital	237	14	8	235	–	–
Development	64306	5	3			
Less written off against reduction of Capital	64306	5	3			
Tree Planting and Fencing	719	17	1			
Less written off against reduction of Capital	719	17	1			
Loss on Stores, Live Stock and Vehicles	457	14	7			
Less written off against reduction of Capital	457	14	7			
Expenditure to be allocated				7768	2	10
Live Stock, Vehicles and Harness				118	–	–
Stores				13423	1	8
Native Recruiting				136	13	4
Share Investments				209	10	–
Sundry Debtors and Payments in advance				120	6	9
Reconstruction Charges				1249	2	6
Guarantors Commission				12339	–	–
Deposits and Interests accrued				265981	2	10
Cash at Bank and on Hand				34870	19	5
General Expenditure—						
As per Balance Sheet at 30th September, 1908	34377	2	4			
Add Expenditure, 15 mths. from 1/10/08 to 31/12/09, £10272 4s. 5d.; less Rents, Interest, &c., received from 1/10/08 to 31/12/09, £3643 9s. 7d.	6628	14	10			
	41005	17	2			
Less written off against reduction of Capital	39255	17	2	1750	–	–
Mine Expenditure—						
As per Balance Sheet at 30th September, 1908	62415	3	3			
Add Expenditure 15 mths. from 1/10/08 to 31/12/09	24235	7	1			
	86650	10	4			
Less Prospecting transferred to Development A/c.	21589	7	8			
	65061	2	8			
Less written off against reduction of Capital	63410	15	6	1650	7	2
				£799601	6	6

we have examined the above Balance Sheet with the Books and Vouchers of the obtained all the information and explanations we have required as Auditors. In correct view of the state of the Company's affairs, according to the best of our Company in Johannesburg and the Accounts from London.

F. W. DIAMOND,
HENRY HAINS, } *Auditors.*
Incorporated Accountants.

J. MUNRO,
J. F. RUTHERFORD, } *Directors.*

Trial Balance, incorporating **Adjustments,** and arranged so as to produce **Profit & Loss A/c.** and **Balance Sheet** of John Pearson, on 31st December, 1910.

Accounts.	Adjustments.			Trial Balance. Dr. Balances.			Trial Balance. Cr. Balances.			Balance Sheet. Dr. Assets.			Balance Sheet. Cr. Liabilities.			Profit & Loss A/c. Dr. Balances.			Profit & Loss A/c. Cr. Balances.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Purchases Ledger : Creditors							1099	10	10	–	–	–	1099	10	10						
Sales Ledger : Debtors				5771	4	1	–	–	–	5771	4	1									
Private Ledger :—																					
Capital (5% Interest)	450	–	–				9000	–	–	–	–	–	9450	–	–						
Drawings				950	–	–	–	–	–	950	–	–				450	–	–			
Plant & Machinery (10% Deprec.)	84	15	–	847	10	–	–	–	–	762	15	–	–	–	–	84	15	–			
Fixtures & Fittings (5% Deprec.)	18	15	5	375	8	9	–	–	–	356	13	4	–	–	–	18	15	5			
Horses & Carts (15% Deprec.)	53	10	3	356	14	11	–	–	–	303	4	8	–	–	–	53	10	3			
Stock (Final Stock)	2994	14	7	2721	14	1	–	–	–	2994	14	7	–	–	–	2721	14	1	2994	14	7
Purchases				13728	–	6	–	–	–							13728	–	6			
Purchases Returns							757	16	5	–	–	–	–	–	–	–	–	–	757	16	5
Sales							20332	1	6	–	–	–	–	–	–	–	–	–	20332	1	6
Sales Returns				742	7	8	–	–	–	–	–	–	–	–	–	742	7	8			
General Ledger :—																					
Carriage				1421	10	7	–	–	–	–	–	–	–	–	–	1421	10	7			
Wages				1646	13	10	–	–	–	–	–	–	–	–	–	1646	13	10			
Salaries				346	2	3	–	–	–	–	–	–	–	–	–	346	2	3			
General Expenses				463	11	10	–	–	–	–	–	–	–	–	–	463	11	10			
Travelling Expenses				156	14	2	–	–	–	–	–	–	–	–	–	156	14	2			
Stable Expenses				192	1	4	–	–	–	–	–	–	–	–	–	192	1	4			
Repairs & Renewals				248	2	1	–	–	–	–	–	–	–	–	–	248	2	1			
Rent (Accrued)	50	–	–	150	–	–	–	–	–	–	–	–	50	–	–	200	–	–			
Rates & Taxes (Unexpired)	14	8	7	127	4	6	–	–	–	14	8	7	–	–	–	112	15	11			
Water & Gas				126	2	7	–	–	–	–	–	–	–	–	–	126	2	7			
Insurance (Unexpired)	7	–	–	30	5	2	–	–	–	7	–	–	–	–	–	23	5	2			
Discount							4	9	7	–	–	–	–	–	–	–	–	–	4	9	7
Bad Debts				89	4	–	–	–	–	–	–	–	–	–	–	89	4	–			
Reserve for Bad Debts (Increase by)	350	–	–				150	–	–	–	–	–	500	–	–	350	–	–			
Bills Receivable				929	1	1	–	–	–	929	1	1									
Cash Book : Bank							122	2	2	–	–	–	122	2	2						
Office				46	7	1	–	–	–	46	7	1									
				£31466	–	6	£31466	–	6	12135	8	5	11221	13	–	23175	6	8	24089	2	1
Difference of **Balance Sheet** agrees with balance or **Net Profit** in **Profit & Loss A/c.**													913	15	5	913	15	5			
										£12135	8	5	£12135	8	5	£24089	2	1	£24089	2	1

Dr. **TRADING ACCOUNT** of **John Pearson** for the year ended 31st December, 1910. Cr.

	£	s.	d.	£	s.	d.		£	s.	d.	£	s.	d.
To Stock, 1st Jan.				2721	14	1	By Sales	20332	1	6			
„ Purchases 13728	–	6					*Less* Returns	742	7	8	19589	13	10
Less Returns 757	16	5	12970	4	1								
„ Wages			1646	13	10		„ STOCK.....				2994	14	7
„ Carriage			1421	10	7								
„ GROSS PROFIT c/d.			3824	5	10								
			£22584	8	5						£22584	8	5

Dr. **PROFIT & LOSS ACCOUNT** for the year ended 31st December, 1910. Cr.

	£	s.	d.	£	s.	d.		£	s.	d.
To Rent	150	–	–				By Gross Profit from Trading A/c.	3824	5	10
Add 1 Quarter owing	50	–	–	200	–	–	„ Discount.....	4	9	7
„ Rates & Taxes	127	4	6							
Less Amount Prepaid	14	8	7	112	15	11				
„ Insurance	30	5	2							
Less Amount Prepaid	7	–	–	23	5	2				
„ Travelling Expenses				156	14	2				
„ Repairs & Renewals				248	2	1				
„ Stable Expenses				192	1	4				
„ Salaries				346	2	3				
„ Water & Gas				126	2	7				
„ General Expenses				463	11	10				
„ Bad Debts	89	4	–							
Add Reserve	500	–	–							
	589	4	–							
Less Cr. Balance of Reserve ..	150	–	–	439	4	–				
„ Depreciation :—										
Fixtures, Fittings, 5%	18	15	5							
Plant & Machinery, 10%	84	15	–							
Horses & Carts, 15%	53	10	3	157	–	8				
„ Interest on Capital				450	–	–				
„ NET PROFIT				913	15	5				
				£3828	15	5		£3828	15	5

BALANCE SHEET of **John Pearson** on 31st December, 1910.

Liabilities.	£	s.	d.	£	s.	d.	Assets.	£	s.	d.	£	s.	d.
Sundry Creditors				1099	10	10	Cash in hand				46	7	1
Bank Overdraft				122	2	2	Bills Receivable.....				929	1	1
Rent due—							Sundry Debtors	5771	4	1			
1 Quarter ..				50	–	–	*Less* Res. for B.D...	500	–	–	5271	4	1
CAPITAL :—													
John Pearson,							Stock on hand				2994	14	7
1st Jan., 1910	9000	–	–				Furniture & Fittings	375	8	9			
Add Interest .	450	–	–				*Less* Depreciation5%	18	15	5	356	13	4
Add Net Profit	913	15	5										
	10363	15	5				Horses & Carts	356	14	11			
Less Drawings	950	–	–				*Less*Depreciation15%	53	10	3	303	4	8
				9413	15	5	Plant & Machinery ..	847	10	–			
							*Less*Depreciation10%	84	15	–	762	15	–
							Amounts Prepaid—						
							Rates & Taxes	14	8	7			
							Insurance	7	–	–	21	8	7
				£10685	8	5					£10685	8	5

Balance Sheet of the London County & Westminster Bank, Ltd., on 31st December, 1912.

Liabilities.	£	£
Capital—Subscribed	£14000000	
700000 Shares of £20 each, £5 paid		3500000
RESERVE		4000000
CURRENT AND DEPOSIT ACCOUNTS		81695023
CIRCULAR NOTES, LETTERS OF CREDIT, COMMISSION LOANS, AND OTHER ACCOUNTS including provision for contingencies		2563211
ACCEPTANCES FOR CUSTOMERS		6741676
ENDORSEMENTS ON BILLS NEGOTIATED		1312308
REBATE ON BILLS not due		94728
Profit & Loss BALANCE as below		527370
		£100434316

This statement does not include the Bank's liability under its guarantee to the Yorkshire Penny Bank, Limited, for £223214.

Assets.	£	£
Cash—		
In hand and at Bank of England	10918809	
At Call and Short Notice	10752983	
		21671792
BILLS DISCOUNTED		17671012
Investments—		
Consols (of which £1390210 is lodged for Public Accounts) and other Securities of, or guaranteed by the British Government	5169298	
Indian Government Stock, and Indian Government Guaranteed Railway Stocks and Debentures	1323570	
Colonial Government Securities, British Corporation Stocks, and British Railway Debenture Stocks	1306425	
Other Investments	1334904	
		9134197
ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS		42230674
LIABILITY OF CUSTOMERS FOR ACCEPTANCES as per contra		6741674
BILLS NEGOTIATED, as per contra		1312308
BANK AND OTHER PREMISES at cost (*less* amounts written off)		1672659
		£100434316

Dr. Profit & Loss Account, for half-year ending 31st December, 1912. Cr.

	£		£
To Interest paid to Customers	835926	By Balance brought forward from 31st December, 1911	143766
„ Salaries and all other expenses, including Income Tax and Auditors' and Directors' Remuneration	1175824	„ Gross profit for the year, after making provision for Bad Debts and contingencies, and including Rebate brought forward from 31st December last	3161957
„ Rebate on Bills not due carried to new Account	94728		
„ Interim Dividend of 10⅝ per cent. paid in August last	371875		
„ Investment Accounts (Depreciation)	200000		
„ Bank Premises Account	100000		
„ Further Dividend of 10⅝ per cent. payable 1st February next (making 21¼ per cent. for the year) £371875			
„ Balance carried forward 155495			
	527370		
	£3305723		£3305723

EXECUTORSHIP ACCOUNTS.

In a work on *general* Book-keeping, sold at so low a figure as this textbook, it is impossible to devote more than one short chapter to Executorship A/cs., but sufficient guidance is given to enable the student to acquire a practical knowledge of the subject. To deal adequately with the Law is out of the question, when it is remembered that the classic treatise of Williams on "The Law of Executors and Administrators" is published in two large volumes at £4. A list of books on Executorship Law and Accounts will be sent by the author to any correspondent on receipt of sixpence.

PROPERTY signifies the exclusive right of possessing, enjoying and disposing of a thing. The person to whom such right belongs is termed the *owner*. Property may consist of (**1**) **Real Estate,** which includes land and buildings, whether of freehold or copyhold tenure, but not leaseholds, however long the term ; (**2**) **Personal Estate,** which includes money in any form, goods and chattels, furniture, copyright, goodwill and leases.

An **EXECUTORSHIP** usually arises out of a **Will,** which may be made by any sane person over 21 years of age, and which is a legal declaration of a man's or woman's intention as to the disposal of his or her property after death. A Will speaks from the **date of death,** and declares the testator's intentions in respect of all property then belonging to him, so that any property acquired subsequent to the making of the Will, will be dealt with in accordance with the terms of the Will. Bequests made to persons who die during the life of the testator lapse. Persons receiving benefits under a Will are known as the *beneficiaries*, those taking real estate being *devisees*. and those taking personal estate being *legatees*. One who is entitled to the **Income** to an Estate during lifetime, or widowhood only, is called a **life tenant ;** while the person entitled to the Estate on the death of the life tenant is known as the *remainderman*, or *reversioner*.

The deceased, if a man, is known as the *testator*, if a woman, the *testatrix*. With rare exceptions no Will is valid unless it be in **writing** and signed at the end by the testator, or by some other person in his presence and by his direction. Such **signature** must be attested by two competent **witnesses,** both of whom must sign together in the presence of the testator. **Soldiers** on active service and **Sailors** at sea may make a *Nuncupative Will* which is a mere verbal declaration or oral pronouncement before witnesses. Wherever it is possible the witnesses to a Will should at least be intelligent and younger than the testator. It should be remembered that neither witnesses nor their husbands or wives, can take any benefit under a Will. A **Codicil** is a supplement to a Will, made when the testator desires to add, explain, alter or retract anything, and must be executed with the same formality as a Will. It is preferable to make a new Will rather than have several Codicils. When a person dies without having made a Will, he is called an **Intestate,** and the Law makes a Will for him, distributing his estate in accordance with the Administration of Estates Act, 1925.

A gift of **Real Estate** or property by Will is known as a *devise*; while a gift of **Personal Estate** is spoken of as a *legacy* or *bequest*. **LEGACIES** are of three kinds:—(**1**) **General,** when it does not amount to a bequest of any particular thing or money, as distinguished from all others of the same kind, and therefore comes out of the general estate, as "I give £50 to John Smith"; (**2**) **Specific,** when it is a bequest of a particular thing, or sum of money, or debt, as distinguished from all others of the same kind, as "my gold watch," or the "£500 India Stock"; (**3**) **Demonstrative,** when it is in its nature a general legacy, but there is a particular fund named out of which to satisfy it, as "£500 payable out of my £2,000 Leeds Corporation Stock." The person to whom the **surplus** of the **personal estate,** after the discharge of all the debts and legacies, is left by the testator's Will, is styled the **Residuary Legatee;** while the person who

takes the **surplus real estate** is termed the **Residuary Devisee.**

The **death** of a person possessed of any kind of property necessitates that someone shall act as **representative** of the deceased, for the purpose of taking possession of and administering the property. Such a representative is known as an Executor or Administrator, or a Trustee. An **EXECUTOR** is a person appointed by the Will of the testator to carry out the directions and requests in his Will, and to dispose of the property according to his testamentary provisions after death. A person named as Executor is not bound to act, but may renounce the office even if he has agreed to accept the office in the testator's lifetime. An **Executor de son tort** is one, *not* being appointed by the Will, who takes upon himself the office of Executor by intrusion, and intermeddles with the estate of the testator. He has all the liabilities and none of the rights of a duly appointed Executor. An **Administrator** is a person appointed by the *Court* to take possession of and distribute the goods and effects of (1) an Intestate, (2) a testator who has not appointed an Executor, (3) a testator whose executors have died or failed to act. **Letters of Administration** are usually granted to the *next of kin*, preference being given to the applicants in a recognised order. Administrators, who may not exceed four, are required to enter into a bond, with two sureties, for the due performance of their office. A **Trustee** is one who holds property, real or personal, for the benefit of another, known as a *cestui qui trust* or *beneficiary.*

The **DUTIES** of an **Executor** or Administrator, after the interment of the deceased, consist of the (**1**) preparation of a Schedule of all the property passing at death ; (**2**) application for Grant of Probate of the Will, or Letters of Administration on payment of the Death Duties ; (**3**) collection and realisation of the Estate ; (**4**) payment of the Debts ; (**5**) payment of the Legacies ; (**6**) investment of the Funds in authorised securities ; (**7**) distribution of the Residue of the estate.

An **EXECUTOR** who derives his title from the Will may do many things in connection with the estate from the moment of the death of the testator, but there are certain powers which he cannot exercise until he has **proved the Will.** It is therefore the duty of an Executor, as soon as possible, after the expiration of seven days from the death of the testator, either personally, or through the medium of a Solicitor, to proceed to prove and establish the Will by applying for Probate at the *Principal Registry, Somerset House, London, W.C.*, or one of the *District Probate Registries* throughout the country. For this purpose the original Will must be deposited in the Registry, along with a Certificate of Death, and a complete statement of the assets and liabilities of the deceased, so that the **Death Duties** payable to the Inland Revenue may be discharged. The **value** at which real estate is stated must not be less than that fixed by the Land Valuation Department. The value of Stocks and Shares must be certified either by a Broker's Certificate, or the production of a newspaper quotation for the day of the death of the testator; while the value of the contents of business premises must be certified by a Licensed Valuer or other competent person. From these particulars the **Affidavit** for **Inland Revenue** and **Estate Duty Account** is prepared, signed and sworn by the Executor, the Duty being charged on the **net capital value** of the estate, together with **interest** on the duty at 4 per cent. per annum from the date of death. A few days after this procedure the **Probate Court** will issue either to the Executor or his Solicitor, a copy of the Will, to which is attached the **sealed Grant,** which is the Certificate of the proof of the Will, all of which together constitutes the proof of the Will and is usually styled the *Probate*. Any person may **read** the **copy** of a **Will** at the Principal Registry in London, or at the District Registry at which it has been proved, on the payment of a fee of one shilling. A **copy** of any proved **Will** may be had on payment of the necessary fee, which can be ascertained on application at the Registry.

DEATH DUTIES are taxes payable to the Government on the passing of property by the death of a person to his successors. They are of three kinds: (1) Estate Duty; (2) Legacy Duty; (3) Succession Duty.

ESTATE DUTY is levied upon the principal value of all property, real or personal, which passes on the death of a person, the rate of duty being graduated according to the total value of the estate, as shown below. When the gross value of an estate does *not exceed £100* no duty is payable. When an estate exceeds £100, but does *not exceed £300*, a fixed duty of 30/- may be paid, and where it exceeds £300, and *not £500*, a fixed duty of 50/- may be paid. When the net value of the estate does *not exceed £1000*, Estate Duty only is payable.

SCALE of **RATES** of **ESTATE DUTY.**

Where the principal value of the Estate —				Rate per cent.
Exceeds	£100	and does not exceed	£500	1
„	500	„ „	1000	2
„	1000	„ „	5000	3
„	5000	„ „	10000	4
„	10000	„ „	12500	5
„	12500	„ „	15000	6
„	15000	„ „	18000	7
„	18000	„ „	21000	8
„	21000	„ „	25000	9
„	25000	„ „	30000	10
„	30000	„ „	35000	11
„	35000	„ „	40000	12
„	40000	„ „	45000	13
„	45000	„ „	50000	14
„	50000	„ „	55000	15
„	55000	„ „	65000	16
„	65000	„ „	75000	17
„	75000	„ „	85000	18
„	85000	„ „	100000	19
„	100000	„ „	120000	20
„	120000	„ „	140000	21
„	140000	„ „	170000	22
„	170000	„ „	200000	23
„	200000	„ „	250000	24
„	250000	„ „	325000	25
„	325000	„ „	400000	26
„	400000	„ „	500000	27
„	500000	„ „	750000	28
„	750000	„ „	1000000	29
„	1000000	„ „	1250000	30
„	1250000	„ „	1500000	32
„	1500000	„ „	2000000	35
„	2000000			40

A **Concession** is made in respect of **Estate Duty** where the maximum of one scale is slightly exceeded. For instance, the rate of Estate Duty payable upon an estate not exceeding £40,000 is 12 per cent., and would amount to £4800, but if the estate were sworn at £40,001 it would really be liable to a duty of 13 per cent., but for the Concession that such an estate may still be charged at 12 per cent., plus the odd £1, thereby effecting a saving of £399 2s. 7d. A **Concession** is also allowed in respect of Estate Duty in cases of **rapid succession** to **land** and **private businesses,** where the duty becomes payable for the second time within a period of **five years.** If the second death occurs within one year of the first death the reduction is 50 per cent. of the Estate Duty payable ; if within two years, 40 per cent. ; if within three years, 30 per cent. ; if within four years, 20 per cent. ; and if within five years, 10 per cent.

LEGACY DUTY is a graduated tax paid to Government on legacies and annuities in proportion to the distance of relationship between the testator and legatee. But the 1% duty on a legacy of a lineal descendant or ancestor is not payable where estate duty is paid. Neither is Legacy Duty payable where the net estate does not exceed £1000 in value, upon which estate duty has been paid. Legacy Duty is deductible from the Legacy unless the Will expressly provides that the bequest is " free from legacy duty," in which case the full legacy is payable to the Legatee and the Duty is chargeable against the general estate. Legacies not paid within twelve months of the testator's death carry interest at four per cent. per annum, from that date.

SUCCESSION DUTY is a graduated tax paid to Government on the succession of a beneficiary of real and leasehold estates, varying according to the relationship which the successor bears to the testator. This duty is not payable when the net estate does not exceed £1000, upon which estate duty has been paid. Subject to certain exemptions the following are the rates now payable in respect of Legacy and Succession Duties :—

Husband or wife of the deceased. Lineal ancestors and descendants, or their husbands or wives, where the principal value of the estate exceeds £15000, except upon legacies not exceeding £1000, or in the case of widow and children under 21 years of age, £2000.	1%
Brothers and sisters, or their descendants, or the husbands or wives of any such.	5%
Brothers and sisters of the father or mother of the deceased, or their descendants, or the husbands or wives of any such. Brothers and sisters of the grandfather or grandmother of the deceased, or their descendants, or the husbands or wives of any such. Persons in any other degree of collateral consanguinity to the deceased or strangers in blood.	10%

In **DISTRIBUTING** the estate the Executor must discharge the debts in the following order:—(**1**) Funeral Expenses; (**2**) Testamentary or Executorship Expenses; (**3**) Debts due to the Crown by way of record or specialty; (**4**) Debts having priority by special statute, such as regimental debts, and those due by officers of a Friendly Society to the Society; (**5**) Judgments recovered against the deceased; (**6**) Recognizances duly enrolled; (**7**) Specialty and Simple Contract Debts; (**8**) Debts on Voluntary Bonds. When the assets are not sufficient to pay all the debts and legacies, the funeral, testamentary, and administration expenses have priority, and subject thereto the same rules prevail as to the respective rights of secured and unsecured creditors, and as to debts and liabilities provable and as to the valuation of annuities and future and contingent liabilities respectively, and as to the priorities of debts and liabilities as may be in force for the time being under the **law** of **bankruptcy** with respect to the assets of persons adjudged bankrupt.

APPORTIONMENT of receipts and payments, as between Capital and Income, is the only problem likely to arise in keeping Executorship A/cs. There are Statutory and Equitable Apportionments, the former arising under the Apportionment Act, 1870, which provides that all interest, annuities, dividends, and other periodical payments in the nature of income, shall, like interest on money lent, be considered as accruing from day to day and shall be apportionable in respect of time accordingly. The effect of this is that when an Executor receives payment of rent, interest, dividends, bonuses, which, during the lifetime of the deceased, would have represented Income, he must, if any portion thereof covered a period prior to the date of death, apportion the amount, that **accruing** to the **date** of the **death** being **Capital,** and the remainder Income. Interim dividends being part of the whole dividend for the year, the apportionment can only be made when the final dividend is received. Where stocks or shares are bought and sold *cum. div.* the whole is a capital transaction, so that in the case of a stock purchased *cum. div.* the tenant for life will receive all the income when it comes in ; and in the case of a stock sold *cum. div.* the tenant for life will lose the accrued income.

So far as **payments** made by the **Executor** are concerned, the following are **chargeable** to **Capital :**—(**1**) Funeral Expenses, (**2**) Death Duties, (**3**) Debts owing by the deceased, (**4**) Legacies, (**5**) Executorship Expenses incurred in dealing with the assets, (**6**) Repairs to property where such were required during the lifetime of the deceased. (**7**) Structural alterations and permanent improvements, (**8**) Cost of buying or selling Investments, (**9**) Cost of appointing New Trustees, (**10**) Costs of proceedings taken by Trustees for the protection of the Estate. The following are **chargeable** against **Income :**—(**1**) Interest on Death Duties, (**2**) Executorship Expenses incurred in administering the Estate, (**3**) Current Repairs of Real Estate, (**4**) Rates

and Taxes in general, (5) Maintenance and Education of Minor, unless specially provided for.

The **basis** of **Executorship Accounts** is the statement of **assets** and **liabilities** contained in the **Estate Duty Account** supplied to the Inland Revenue when proving the Will or taking out Letters of Administration. In other words, these assets and liabilities, representing the Estate of the deceased, form the *final Balance Sheet* of the **testator** on the one hand, and the *first Balance Sheet* or *Opening Entries* of the *Executor* on the other hand. In accordance with the principle of double entry the first account to be opened will be the **Capital A/c.,** more generally known as the **Estate A/c.,** but sometimes called the **Principal A/c.,** or **Corpus A/c.** The assets must be credited and the liabilities debited to the Estate A/c. ; a separate account being opened for each asset and liability. After these Opening Entries have been made, the majority of the transactions will consist of cash, which will be entered in the Cash Book and posted to their respective accounts in the usual way. In large estates a **Journal** may be needed to record transfer and adjustment entries, also apportionments, but in small estates a **Cash Book** and a **Ledger** are the only books required. The **Executorship Expenses A/c.** records, in addition to the personal expenses of the executor, the various professional costs of valuers, estate agents, auctioneers, accountants and solicitors. **Death Duties** are sometimes recorded in an account under that name, or under the heading of a **Testamentary Expenses A/c.**

EXECUTORSHIP EXERCISE 1.

Henry Brown died on the 31st October, 1917, the sworn value of his Estate, disposed of by his Will, consisting, after the payment of Funeral Expenses £65, of the net value of £14000, made up as follows :—

Household Furniture and Effects, bequeathed to his wife, Ann, absolutely	£560
Life Insurance Policy and Bonuses received in Dec. and paid into Bank	780
Sundry Debts due to Testator, all received during Dec., 1917	180
Cash in house paid into Bank	31

Cash at Lloyds Bank 345
5000 £1 6 per cent. Preference Shares, Lever Bros., Ltd., dividend payable half-yearly on 30th June and 31st Dec., at 21/- 5250
£1000 Dorman, Long & Co., Ltd., 5% Debenture Stock at £95 Interest payable 30th June and 31st Dec. 950
Leasehold Property, let at an annual rental of £300, payable half-yearly on 30th June and 31st Dec. 5000
Freehold Property, let at an annual rental of £144, payable quarterly on the 31st March, 30th June, 30th Sept., and 31st Dec. 3000
The liabilities of the Testator to Sundry Tradesmen, paid during December, 1917 90
Loan on Mortgage of above Freehold Property at 5 per cent., payable 30th June and 31st Dec. 2000

Testator left the Income of his Estate to his wife during her lifetime. All rent, interest, dividends had been received and paid when due, subject to Income Tax at 5/- in the £.

The Executor paid the Estate duty on the 30th Nov., plus Interest thereon, £1 14s. 6d. The Executorship Expenses were paid in Dec. on Income A/c. £12, on Capital A/c. £184. Prepare A/cs. to 31st December, 1917, as follows :—

Dr. **Estate A/c.** **C**

Date.		Cap.	Date.		Cap.
1917		£ s.	1917		£ s.
Oct. 31	To Sundry Creditors ...	90 –	Oct. 31	By Household Furniture	560 –
	,, Mortgage @ 5%	2000 –		,, Life Policy and Bonuses	780 –
	,, Interest accrued to date of death, less tax @ 5/-	50 –		,, Cash in House	31 –
				,, Cash at Bank	345 –
	,, Funeral Expenses ..	65 –		,, Sundry Debtors	180 –
	,, *Balance .....c/d.*	14062 10		,, Preference Shares in Lever Bros., Ltd. ..	5250 –
				,, Div. thereon	75 –
				,, Debenture Stock in Dorman Long & Co.	950 –
				,, Div. thereon	12 10
				,, Leasehold Property .	5000 –
				Rent accrued thereon to date of death, 4 mos., less tax ...	75 –
				,, Freehold Property ..	3000 –
				Rent accrued thereon to date of death, 1 month, less tax .	9 –
		£ 16267 10			£ 16267 10
Nov. 30	To Estate Duty @ 5% on £14000	700 –	Oct. 31	By Balance .....b/d.	14062 10
	,, Executorship Expenses A/c.	184 –			
	,, Legacies A/c.	560 –			
Dec. 31	,, *Balance .....c/d.*	12618 10			
		£ 14062 10			£ 14062 10
			1918 Jan. 1	By Balance .....b/d.	12618 10

The ESTATE of HENRY BROWN, DECEASED.

Dr. CASH BOOK. Cr.

Date.	Receipts.	Income. £ s. d.	Capital. £ s. d.	Bank. £ s. d.	Date.	Payments.	Income. £ s. d.	Capital. £ s. d.	Bank. £ s. d.
1917					1917				
Oct. 31	To Estate A/c., Cash		376 – –	376	Dec. 31	By Funeral Expenses		65 – –	65 – –
Dec. 31	,, Sundry Debtors		180 – –	180		,, Estate Duty		700 – –	700 – –
	,, Life Policy and Bonuses		780 – –	780		,, Interest on Duty	1 14 6		1 14 6
	,, Leasehold Property, 6 mos. Rent, less tax	37 10 –	75 – –	112 10 –		,, Sundry Creditors		90 – –	90 – –
	,, Freehold Property, 3 mos. Rent, less tax	18 – –	9	27 – –		,, Mortgage Interest, 6 mos., less tax	25 – –	50 – –	75 – –
	,, Lever Bros., Ltd., 6 mos. Div., less tax	37 10 –	75 – –	112 10 –		,, Executorship Expenses	12 – –	184 – –	196 – –
	,, Dorman, Long & Co., Ltd., 6 mos. Int., less tax	6 5 –	12 10 –	18 15 –		,, *Balances* ..... *c/d.*	60 10 6	418 10 –	479 – 6
	£	99 5 –	1507 10 –	1606 15 –		£	99 5 –	1507 10 –	1606 15 –
1918									
Jan. 1	To Balances ..... b/d.	60 10 6	418 10 –	479 – 6					

Dr. Funeral Expenses A/c. Cr

1917			1917		
Dec.31	To Cash	£65	Oct. 31	By Estate A/c.	£65

Dr. Estate Duty A/c. Cr.

1917			1917		
Nov.30	To Cash	£700	Oct. 31	By Estate A/c.	£700

Dr. Interest on Estate Duty A/c. Cr.

1917		£ s. d.	1917		£ s. d.
Nov.30	To Cash	1 14 6	Dec.31	*By Transfer to Income A/c.*	1 14 6

Dr. Executorship Expenses A/c. Cr.

1917		Inc.	Cap.	1917		Inc.	Cap.
Dec.31	To Cash	£12	£184	Dec.31	*By Transfer to :—*		
					Income A/c. ...	£12	
					Estate A/c. ...		£184

Dr. Legacies A/c. Cr.

1917			1917		
Oct 31	To Household Furniture left to wife absolutely.....	£560	Oct. 31	*By Transfer to Estate A/c.*	£560

Dr. Household Furniture A/c. Cr.

1917			1917		
Oct. 31	To Estate A/c.	£560	Oct. 31	By Legacies A/c.	£560

Dr. Life Policy A/c. Cr.

1917			1917		
Oct. 31	To Estate A/c.	£780	Dec 31	By Cash	£780

Dr. Sundry Debtors A/c. Cr.

1917			1917		
Oct. 31	To Estate A/c.	£180	Dec.31	By Cash	£180

Dr. Sundry Creditors A/c. Cr.

1917			1917		
Dec 31	To Cash	£90	Oct. 31	By Estate A/c.	£90

Dr. Leasehold Property A/c. Cr.

1917		Inc.	Cap.	1917		Inc.	Cap.
Oct. 31	To Estate A/c.		£5000	Dec.31	By Cash, Rent ..	37 10	£75
Dec.31	,, do. Rent.		75		,, *Balance, c/d.* ..		5000
	,, *Transfer to Income A/c.*	37 10					
		£37 10	5075			£37 10	5075
1918							
Jan. 1	To Balance b/d.		5000				

Dr. Freehold Property A/c. Cr.

1917		Inc.	Cap.	1917		Inc.	Cap.
Oct. 31	To Estate A/c.		£3000	Dec.31	By Cash, Rent ..	£18	£9
Dec.31	do. Rent		9		,, *Balance, c/d.* .		3000
	,, *Transfer to Income A/c.*	£18					
		£18	3009			£18	3009
1918							
Jan. 1	To Balance b/d.		3000				

Dr. 5% Mortgage of Freehold Property A/c. Cr.

1917		Inc.	Cap.	1917		Inc.	Cap.
Dec.31	To Cash, Int. .	£25	£50	Oct. 31	By Estate A/c. ..		£2000
	,, *Balance c/d.*		2000		,, do. Int. ..		50
				Dec.31	,, *Transfer to Income A/c...*	£25	
		£25	2050			£25	2050
				1918			
				Jan. 1	By Balance b/d. .		2000

Dr. Lever Bros., Ltd., 5000 6% Preference Shares. Cr.

1917		Inc.	Cap.	1917		Inc.	Cap.
Oct.31	To Estate A/c.		£5250	Dec.31	By Cash—		
Dec.31	,, Dividend...		75		6 months dividend, less tax	£ 37 10	£75
	,, *Transfer to Income A/c.*	£ 37 10			,, *Balance c/d.* .		5250
		37 10	5325			37 10	5325
1918							
Jan. 1	To Balance b/d.		5250				

Dr. Dorman, Long & Co., Ltd., £1000 5% Debenture Stock. Cr.

1917		Inc.	Cap.	1917		Inc.	Cap.
Oct 31	To Estate A/c.		£ 950	Dec.31	By Cash		
Dec.31	,, Dividend..		12 10		6 months interest, less tax	£6 5	12 10
	,, *Transfer to Income A/c.*	£6 5			,, *Balance c/d.*		950 –
		£6 5	962 10			£6 5	962 10
1918							
Jan. 1	To Balance b/d		950 –				

Dr. Income A/c. Cr.

1917		£ s. d.	1917		£ s. d.
Nov.30	To Interest on Estate Duty ..	1 14 6	Dec.31	By Rent of Leasehold Property	37 10 –
Dec.31	,, Executorship .. Expenses	12 – –		,, Rent of Freehold Property	18 – –
	,, Interest on Mortgage	25 – –		,, Dividends from Lever Bros. ..	37 10 –
	,, *Balance transferred to Mrs. Brown, Life Tenant*.....	60 10 6		,, Interest from Dorman, Long & Co. Ltd., ...	6 5 –
		£99 5 –			£99 5 –

Dr. **Mrs. Ann Brown, Life Tenant.** **Cr.**

		£	s.	d.
	1918			
	Jan. 1 By Transfer from Income A/c. ..	60	10	6

The Estate of Henry Brown, Deceased.

Balance Sheet on 31st December, 1917.

Liabilities.	£	s.	d.	Assets.	£	s.	d.
Estate Account	12618	10	–	Freehold Property	3000	–	–
Mortgage	2000	–	–	Leasehold Property	5000	–	–
Mrs. Brown, Life Tenant, Income	60	10	6	Investments :—			
				Lever Bros., Ltd., 5000 6% Pref. Shares .....5250 –			
				Dorman, Long & Co., Ltd., £1000 5% Deb. Stock 950 –	6200	–	–
				Cash at Bank :—			
				Income A/c. 60 10 6			
				Capital A/c. 418 10 –	479	–	6
£	14679	–	6	£	14679	–	6

EXECUTORSHIP EXERCISE 2.

John Pearson died on the 5th Dec., 1916. He bequeathed the residue of his Estate to his son and daughter in equal shares, but directed his Trustees to retain the share of his daughter, upon trust to pay the income only to her for life. The Affidavit showed that the Estate consisted of :—Cash at Bank £200 ; Household Furniture £250 (bequeathed to daughter) ; Leasehold Property £1750 (bequeathed to son, subject to mortgage of £750) ; £10000 Consols at 75 £7500 ; Life Policy £3000 paid into Bank ; Capital in Partnership of John Pearson & Co. £1000. The debts due by the deceased were £400. The Executors received the dividend on Consols (£19 12s. 10d. being Income, and £38 13s. Capital) and were repaid the Capital of deceased in John Pearson & Co., together with his share of the profits for the year ending 31st Dec., 1916, £250. £10 Interest received from the temporary deposit of cash covered the Executorship Expenses. The debts were paid ; and the funeral expenses and death duties (together £689 4s. 9d.) were also paid. On 6th April, 1917, the Executors, being in a position to distribute the Estate, appropriated, in satisfaction of the daughter's share in the corpus, such portion of the investment in Consols (taken at 70, the market price at that date) as was necessary for that purpose. The balance of Consols, taken at the same valuation, was transferred, on the same date to the son, on account of his share, the balance due to the son and any income due to him and the daughter being paid to them in cash. Prepare an account showing the distribution of the Estate, and show the respective amounts of Consols and Cash allocated and paid to the son and daughter.

EXECUTORSHIP EXERCISE 3.

Arthur Johnson died on 31st August, 1916, leaving all property in trust for his son, but the income derivable therefrom to be available for the maintenance of his wife. The property was as follows, and the Trustee was directed to sell as soon as he deemed advisable and invest the proceeds in the usual securities. 25000 6% Preference Shares in a Publishing Co., face value £1 each ; 20000 Ordinary Shares in the same, face value £1 each ; Cash at Bank £520 ; Household Furniture and Effects sold for £710. The shares were valued for probate at par, the funeral expenses were £55, the Testator owed £200, and £100 was paid to the widow on account of income. The dividend on the shares was paid half-yearly, Jan. and June, and that on the ordinary shares was 10 per cent. for the year 1916, paid on 20th Jan., 1917. Testamentary Expenses paid £7662 10s. Draw up a statement showing the position of the accounts when the dividend on the ordinary shares had been received. Income Tax 5/- in the £.

EXECUTORSHIP EXERCISE 4.

The following is the estate of Henry Sykes, who died on 25th Jan., 1917 :—Cash in house £5 ; Cash at Bank, Current Account £712 ; Cash at Bank, on Deposit £17800 ; Household Effects £1350 ; Leasehold Property, held on a 90 years' Lease from 1847, and let at £300 per annum, Valued at £3500 ; Real Property, let on a yearly tenancy at £120 per annum, Valued at £1900 ; Equitable Life Society Policy £5000 ; Bonus accrued £425 ; Loan due to Testator £130, irrecoverable. The Testator owed debts amounting to £78, and his funeral expenses were £33 10s. The rent of the Leasehold property to December 25th had not been paid at the date of death, but was received by the Executor ; the rent of the Freehold had been received. £1900 was paid in duties, and £180 in legal charges. The Testator bequeathed the properties to his daughter, the furniture to his widow, and directed the residue to be divided equally between his daughter and widow. The Estate was ready for distribution three months after death. Prepare an Estate A/c. and make the necessary adjustments up to and including the distribution. Income Tax ignored. Daughter must bear Estate Duty on Realty, at 6%, £114.

EXECUTORSHIP EXERCISE 5.

John Hart died on 1st Oct., 1916, leaving the following estate : —Cash in house £54 ; Cash at Bank £640 ; Household Furniture £1534 ; Debts due at the death £600 ; Creditors £230 ; Life Policy £2000 ; National Insurance Company, 100 Shares of £5 each, £1 per share paid, valued at £300 (Dividend at 20% paid to 31/12/16 for half-year). Mortgages :—H. Holmes £3000 ; P. Smith £1000 ; W. Williams £2000. (Interest at 4% for half year ended 31st Dec., 1916, paid 1st Jan., 1917.) The Bank interest to 31st Dec., 1916, amounted to £6 5s. The debts

due to and by the Testator were either received or paid by 1st March, 1917. The policy money was received on 1st Nov., 1916. The Insurance shares were sold on 1st Jan. for £370. Testamentary expenses and duties amounting to £1205, and Funeral expenses £90 were duly paid. The widow was left an immediate legacy of £100, the use of the furniture during her lifetime and the Income of the Estate. Income Tax ignored.

EXECUTORSHIP EXERCISE 6.

The late Henry Smith left property as follows :— Leaseholds (subject to Mortgage of £7000) £27000 ; Cash in house £7 10s. ; Cash at Bank £1206 7s. ; Insurance Policy £10000 ; Household Furniture £1840 ; Debts due to him £811 ; Interest in Business valued at £12097. To his widow he bequeathed £20000 ; to his nephew he left his interest in his business ; to each of his three nieces £1000 ; to the Hospital Fund £500 ; and the residue to the C. B. Charity. His executors realised the Estate as follows :—The widow took the Furniture as above as part of her £20000. The Leasehold Property sold for £28300. The Debts due to the Testator realised £740. They paid Estate Duty £4800. The Costs of Sale and other charges amounted to £1060. Prepare a Cash A/c. and an Estate A/c. shewing exactly the disposition of the Estate by the Executors when the wishes of the Testator had been complied with, the mortgage having been paid off and the Life Policy realised.

Dr. **Estate A/c. of Henry Smith, deceased.** **Cr.**

	£	s.		£	s.
To Mortgage	7000	–	By Leaseholds	27000	–
,, Estate Duty	4800	–	,, Cash in House	7	10
,, Debts, Loss on Realisation	71	–	,, Cash at Bank	1206	7
,, Costs and Charges	1060	–	,, Insurance Policy	10000	–
,, Legacies :—			,, Furniture	1840	–
Widow £20000			,, Debts	811	–
Nephew 12097			,, Interest in Business	12097	–
Nieces 3000			,, Leasehold, Profit on Sale	1300	–
Hospital Fund 500	35597	–			
,, Residue to C.B. Charity.	5733	17			
	£54261	17		£54261	17

PETTY CASH BOOK. (See page 67.)

Cash Received. £	s.	d.		Particulars.	Voucher No.	Totals. £	s.	d.	Cartage and Carriage	Travelling	Stationery.	Postages and Telegrms	Sundry Stores.	Petties.
			1926											
20			Jan. 1	To Cash	CB1									
			,, 2	By Carriage Cook & Co.	1	–	15	6	– 15 6					
			,, 2	,, Telegrams		–	2	9				– 2 9		
			,, 3	,, Gratuities		1	5	6						1 5 6
			,, 3	,, Tram Fares		–	–	9		– – 9				
			,, 5	,, Postage Stamps		2	10	–				2 10 –		
			,, 6	,, Teas		–	8	6						– 8 6
			,, 7	,, Carriage—F. Jones	6		1	10	1 10					
			,, 8	,, Cab Fare H. Burt			1	6		– 1 6				
			,, 9	,, Labels T. Sykes	9		15				15			
			,, 10	,, Matches				3						– 3
			,, 10	,, Asbestos—T. Marsden	11	–	18	6					– 18 6	
			,, 12	,, Cartage		–	10	–	10 –					
			,, 14	,, Twine J. Holmes	15	–	2	6						2 6
			,, 15	,, Postal Wrappers		1	16	8				1 16 8		
			,, 16	,, Railway Fare to Eccles		–	5	10		– 5 10				
			,, 17	,, Carriage F. Potts	19	–	3	6	– 3 6					
			,, 20	,, Post Cards		–	5	–				– 5 –		
			,, 22	,, Oil J. Thorpe	24	1	3	6					1 3 6	
			,, 26	,, Pens			3	6			– 3 6			
			,, 31	,, Newspapers	32	–	7	6						– 7 6
12	1	1	,,	To Cash, Disbursements	CB2									
			,,	By Balance c/d		12	1	1	1 10 10	– 11 1	– 18 6	4 14 5	2 2 –	2 4 3
						20	–	–						
£32	1	1				£32	1	1						
20	–	–	Feb. 1	To Balance b/d										

PARS OF EXCHANGE and FOREIGN MONEY.

(See Par. 154.)

PARS OF EXCHANGE.				*PRINCIPAL COINS.*	*Sterling.* s.	d.
Austria	gives	24 kr. 3 hrs.	for £1	100 hellers = 1 krone =		10
Belgium	,,	22 fr. 15 c.	,, £1	100 centimes = 1 franc =		$9\frac{1}{2}$
Canada	receives	49 pence	for 1 Dollar	100 cents = 1 dollar =	4	1
China	,,	5/10	,, 1 Tael	10 Cash = 1 candareen (Fun); 10 candareens = 1 mace (Tsien); 10 mace = 1 tael (Leang) =	2	$7\frac{1}{2}$
Denmark	gives	18 kr. 16 öre	for £1	100 öre = 1 krone (pl. kroner) =	1	$1\frac{1}{3}$
France	,,	25 fr. 22.15 c.	,, £1	100 centimes = 1 franc =		$9\frac{1}{2}$
Germany	,,	20 m. 43 pf.	,, £1	100 pfennige = 1 reichsmarks =		$11\frac{3}{4}$
Greece	,,	25 dr. 23 lepta	,, £1	100 lepta = 1 drachmê = (1 franc) =		$9\frac{1}{2}$
Holland	,,	12 fl. 11 st.	,, £1	100 cents. = 20 stivers = 1 florin or guilder =	1	8
India	receives	16 pence stg.	for 1 Rupee	192 pies = 16 annas = 1 rupee =	1	4
Italy	gives	25 fr. 22.15 c.	for £1	100 centisimi = 1 lira nuova =		$9\frac{1}{2}$
Norway	,,	18 kr. 16 öre	,, £1	100 öre = 1 krone (pl. kroner) =	1	$1\frac{1}{3}$
Portugal	receives	$53\frac{1}{4}$ pence stg.	for 1 Milreis	1000 reis = 1 milreis =	4	$5\frac{1}{4}$
Russia	,,	$25\frac{1}{2}$ do.	for 1 Silver Rouble	100 copecs = 1 silver rouble =	2	$1\frac{1}{2}$
Spain	,,	$45\frac{3}{4}$ do.	for 1 Peso	103 centisimos = 1 peseta = (1 peso = 5 pesetas = 100 reals.)		$9\frac{1}{2}$
Sweden	gives	18 kr. 16 öre	for £1	100 öre = 1 kroner (pl. kronor) or riksdaler =	1	$1\frac{1}{3}$
Switzerland	,,	25 fr. 22.15 rap.	,, £1	100 rappen or centimes = 1 franc =		$9\frac{1}{2}$
Turkey	receives	$1\frac{1}{2}$d. to $2\frac{1}{2}$d. stg.	for 1 Piastre	40 paras = 1 piastre, and 100 piastres = 1 lira Turca (£)	18	0
United States	receives	$49\frac{5}{16}$d. stg.	for 1 Dollar	100 cent = 1 dollar in gold =	4	1

COURSE OF EXCHANGE (See par. 156.) *Extract from "The Times."*

Amsterdam and Rotterdam, 12.2 to 12.3
do. do. 3 months, 12.3$\frac{3}{4}$ to 12.4$\frac{1}{4}$
Antwerp and Brussels, 3 months, 25.36$\frac{1}{4}$ to 25.41$\frac{1}{4}$
Hamburg, 20.57 to 20.61
Berlin and German Bank Places, 20.57 to 20.61
Paris, cheques 25.21$\frac{1}{4}$ to 25.26$\frac{1}{4}$
Do. 3 months, 25.33$\frac{3}{4}$ to 25.38$\frac{3}{4}$
Marseilles, do. 25.33$\frac{3}{4}$ to 25.38$\frac{3}{4}$
Austria, do. 24.42 to 24.47
Moscow, do. 25$\frac{3}{8}$ to 25$\frac{1}{2}$

Petrograd, 3 months, $25\frac{7}{16}$ to $25\frac{9}{16}$
Genoa, 3 months, 26.68$\frac{3}{4}$ to 26.78$\frac{3}{4}$
Leghorn, do. 26.68$\frac{3}{4}$ to 26.78$\frac{3}{4}$
Naples, do. 26.68$\frac{3}{4}$ to 26.78$\frac{3}{4}$
Madrid, do. $40\frac{7}{16}$ to $40\frac{1}{16}$
Lisbon, do. 40$\frac{3}{4}$ to 40$\frac{7}{8}$
Oporto, do. 40$\frac{3}{8}$ to 40$\frac{5}{8}$
Copenhagen, do. 18.31 to 18.35
Christiana, do. 18.32 to 18.36
Stockholm, do. 18.32 to 18.36

To put the above into simple language it would read as follows :—

Amsterdam and Rotterdam	for short-dated	London Bills	..	gives	12 florins 2 to 3 stiver	per	£1	Sterling.
Do.	do.	„ 3 months	do.	..	„ 12 florins 3$\frac{3}{4}$ to 4$\frac{1}{4}$ stiver	„	£1	do.
Antwerp and Brussels		„	do.	do.	.. „ 25 francs 36$\frac{1}{4}$ to 41$\frac{1}{4}$ cents	„	£1	do.
Hamburg ..	..	„	do.	do.	.. „ 25 marks 57 to 61 pfennige	„	£1	do.
Berlin and German Banks		„	do.	do.	.. „ 20 marks 57 to 61 pfennige	„	£1	do.
Paris ..	..	„	short-dated	do.	.. „ 25 francs 21$\frac{1}{4}$ to 26$\frac{1}{4}$ cents	„	£1	do.
Paris ..	..	„	3 months	do.	.. „ 25 francs 33$\frac{3}{4}$ to 38$\frac{3}{4}$ cents	„	£1	do.
Marseilles ..	..	„	do.	do.	.. „ 25 francs 33$\frac{3}{4}$ to 38$\frac{3}{4}$ cents	„	£1	do.
Austria ..	..	„	do.	do.	.. „ 24 kroner 42 to 47 hellers	„	£1	do.
Moscow ..	receives	„	do.	do.	.. from 25$\frac{3}{8}$ to 25$\frac{1}{2}$ pence Sterling	per	Rouble.	
Petrograd	„	„	do.	do.	.. „ $25\frac{7}{16}$ to $25\frac{9}{16}$ pence	do.		
Genoa ..	..	„	do.	do.	.. gives 26 lire 68$\frac{3}{4}$ to 78$\frac{3}{4}$ cents	per	£1	Sterling.
Leghorn ..	..	„	do.	do.	.. „ do. do.	„	£1	do.
Naples ..	receives	„	do.	do.	.. „ do. do.	„	£1	do.
Madrid ..	„	„	do.	do.	.. from $40\frac{7}{16}$ to $40\frac{1}{16}$ pence Sterling	per	peso(5pesetas)	
Lisbon ..	„	„	do.	do.	.. „ 40$\frac{3}{4}$ to 40$\frac{7}{8}$ pence	do.		do.
Oporto ..	„	„	do.	do.	.. „ $40\frac{3}{16}$ to $40\frac{5}{16}$ pence	do.	Milreis.	
Copenhagen ..	„	„	do.	do.	.. gives 18 kroner 31 to 35 öre	per	£1	Sterling.
Christiania ..	„	„	do.	do.	.. „ 18 kroner 32 to 36 öre	„	£1	do.
Stockholm ..	„	„	do.	do.	.. „ do. do.	„	£1	do.

TABLE OF USANCE AND DAYS OF GRACE.

Bills drawn in London on	USANCE.	*Days of Grace.*
Altona	1 month after date	12
Amsterdam	3 months after date	none
Antwerp	Do.	none
Barcelona	Do.	none
Berlin	Do.	none
Bilbao	Do.	none
Bremen	1 month after date	8
Bruges	Do.	—
Buenos Ayres	60 days after sight	-
Cadiz	3 months after date	none
Constantinople	31 days after date	—
Dantzic	14 days after acceptance	10
France	3 months after date	none
Frankfort-on-Main	Do.	none
Florence	30 days after date	—
Genoa	3 months after date	none
Geneva	30 days after date	5
Gibraltar	2 months after sight	14
Hamburg	3 months after date	none
Holland	Do.	—
Italy	Do.	none
Leghorn	3 months after date	none
Leipzig	Do.	none
Lisbon	90 days after date	3
Madrid	3 months after date	none
Malta	30 days after date	3
Milan	3 months after date	none
Naples	Do.	none
Oporto	90 days after date	none
Palermo	3 months after date	none
Paris	Do.	none
Petrograd	Do.	none
Portugal	60 days after date	—
Rio de Janeiro	30 days after date	5
Rotterdam	3 months after date	none
Rome	Do.	—
Rouen	1 month after date	-
Seville	3 months after date	-
Smyrna	31 days after date	—
Sweden	30 days after sight	-
Switzerland	Do.	—
Venice	3 months after date	none
Vienna	Do.	none
West Indies	31 days after acceptance	-

"LOCO" SHIPPING INVOICE. (See par. 561.)

INVOICE of 5 Cases Goods shipped by JONES & CO., at Liverpool, per S.S. "Victoria," for Calcutta, by order and for account and risk of Messrs. BRUCE & SYKES, Calcutta.

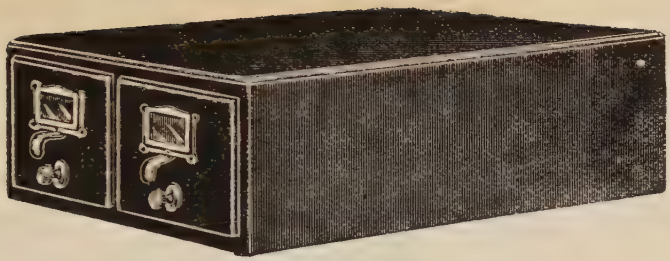
Order No. 2000. B/L. dated 10th July, 1926.
Indent No. 1520. Insurance effected here.

		£	s.	d.	£	s.	d.
B	Grey Dhooties						
J	¼in. coloured Border						
S	T.NO.						
1000	1 B/- 400 pcs., 42 in., 17 by 15, 60/70 .500						
1001/4	4 B/s 1600 „ 44 in., „ „ .512						
	2000 „ at 1/3 $\frac{5}{16}$	132	16	3			
	Less 2½ per cent.	3	6	5	129	9	10
	CHARGES :—						
	Freight on 58ft. 9in. at 32/6 ..£2 7 8						
	Primage at 10 per cent. ..... – 4 9	2	12	5			
	B/L. 2/- Contract 10d.	–	2	10			
	Packing 5 B/s. at 20/-	5	–	–			
	Tickets (none)						
	Telegrams	–	14	–			
	Postages and Bill Stamps	–	6	–			
	Fire Insurance on £129	–	1	4			
	Marine do. £150 at 5/9% less 5 & 10 per cent. and stamp	–	7	11	9	4	6
					138	14	4
	Commission at 2½ per cent.				3	9	4
					142	3	8

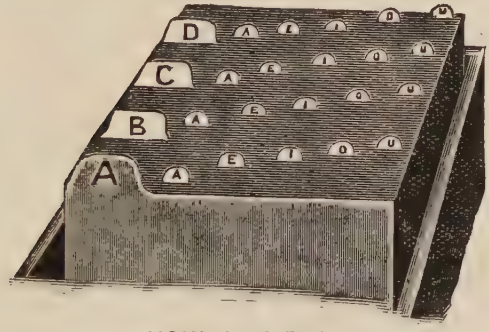
Stamped—2 headed Swan

E. & O. E., Manchester,
13th July, 1926,
JONES & CO.

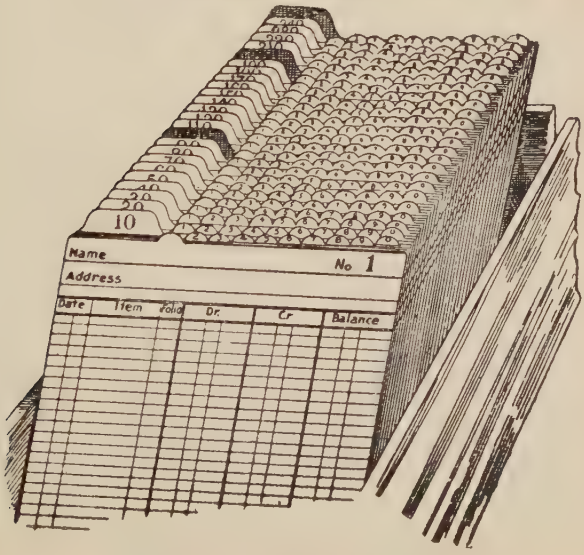
	A		E		I		O		U		Y	
A	Allan & Co. ...	5	Ankrett, Harry	18	Aitken, John ..	43	Argo. James ..	71	Arthur & Co. ..	100	Ayres, Wm. ...	130
	Astman, Geo.	10	Ansell, Geo. ...	34	Ainley, Bros. ..	46	Ashton & Jones	84	Austin, Henry .	109	Addy, B. M. ..	136
			Anderton, Thos.	62			Armstrong & Co.	97				
B	Banks, Frank..	6	Best, Oliver ...	8	Brierley, Joseph	51	Brooks, Bros.	93	Burton & Sons.	106	Byles & Cross	119
	Bailey, Ernest	16	Bedell, Thos. ..	39	Binks & Co. ...	81	Booth, Edwin	98	Burns, Robert	112	Blyde, Chas....	134
			Bleasby, Alb.	47			Brown, T. C. ..	104	Bruce & Co. ..	116	Blyth, John ...	150
C	Cranston & Co.	3	Cecil, Robert ..	129	Christie & Sons	2	Collins, Eli	31	Churley, Fred	63	Cryer, Thos. ..	101
	Clarke, Benj. ..	9	Cherry, Saml...	182	Clifton, Walter	170	Coombs, J.	60	Cusworth, Wm.	68	Chrystal, Geo.	108
	Carter & Sons	19					Crowther, Jas.	64				
D	Davis, Chas. ..	28	Dean & Sons ..	17	Dixon, Alf. ...	2	Doulton & Co.	48	Dunbar, Jas. ..	42	Dyke, Wm.	36
	Drabble, Thos.	35	Drew, Jane....	20	Dwight, Percy	56	Dobson, Richd.	59	Dudley, S. E.	73	Dyne, Arthur	61
	Dalton, Jabez	86					Dove, James ..	70	Drudge, Geo. ..	105	Drywood & Co.	111



CARD INDEXING.



VOWEL INDEX.



NUMERICAL CARD LEDGER.

ACCOUNT CURRENT. (See par. 503.)

Messrs. Owen & Dew, New Orleans.

In Account with **Chas. Mee & Co., Ltd.,** London.

Dr. Interest @ 5% per ann. to 30th June, 1927. **Cr.**

		Principal. £ s. d.	Days.	Interest. £ s. d.
1927				
Jan. 1	To Balance b/f.	676 6 3	181	16 15 6
,, 31	,, Cash paid to meet your Sight Draft	16 10 -	150	- 6 10
Feb. 4	,, Acceptance of your Draft due 4th April	250 - -	87	2 19 7
,, 23	,, Cash paid to meet your Sight Draft	61 5 -	127	1 1 3
April 4	,, Acceptance of your Draft due 4th June	250 - -	26	- 17 10
,, 6	,, Cash paid to meet your Sight Draft	134 2 -	85	1 11 3
May 6	,, Ditto.	114 10 6	55	17 3
June 4	,, Acceptance of your Draft due 4th August	250 - -	35	* 1 4 -
,, 30	,, Balance of Interest	2 7 11		
		£ 1755 1 8	£	24 9 6
July 1	To Balance b/d.	166 8 11		

		Principal. £ s. d.	Days.	Interest. £ s. d.
1927				
Feb. 5	By A/S. of Cotton	767 17 9	145	15 5 1
May 11	,, Ditto	820 15 -	50	5 12 6
June 30	,, *Interest in red*			* 1 4 -
	,, Balance of Interest			2 7 11
	,, *Balance c/f.*	166 8 11		
		1755 1 8	£	24 9 6

E. & O. E.
London, 30th June, 1927.

Chas. Mee & Co., Ltd.

ACCOUNTANCY, BANKING, LEGAL AND COMMERCIAL COMPENDIUM.

501. **ACCOUNT, SETTLING,** or **SETTLEMENT DAYS** are the dates fixed by the Committee of various British Stock Exchanges for the completion of transactions. In Consols and a few kindred securities, these account days are once a month, usually during the first three or four days; in all other stocks twice a month, about the middle and end. Each Settlement occupies three days—1st, **contango day**, when arrangements are made for the continuation of transactions or bargains; 2nd, **name day**, when the names of buyers of registered securities are passed to the sellers; and 3rd, **pay day**, or account day proper, when securities are delivered, the money obtained, and **differences** settled. All transactions done during the account, unless specially arranged otherwise, are made for the Settlement following. Generally speaking, the Settlements on the Provincial Exchanges are fixed a day earlier than those on the London Exchange. This facilitates the payments of money due on transactions between these markets and London. **Bargains** *for Account* are contracts made for settlement on the next Settling Day, on the Stock Exchange, and are thus distinguished from bargains *for money* which are settled immediately on being made.

502. **ACCOUNTANT.** A person skilled in keeping and balancing books, and who is usually employed by merchants, public companies, &c., to prepare a/cs. and balance sheets, or to audit their books and a/cs. An **audit** is a thorough examination by an auditor of all books, a/cs., vouchers, securities, &c., with the three-fold object of detecting (1) fraud, (2) technical errors, (3) errors of principle. Audits generally take place periodically, and are usually, though by no means universally, conducted by professional auditors. These **auditors** are elected by the shareholders, and are legally supposed to be their representatives, acting as a check upon the Boards of Directors. In common practice the directors select auditors to suit themselves, and get them *pro formâ* elected by the shareholders at the annual or semi-annual meeting. From this habit, it results that the auditors of a public company have seldom any particular incentive to oppose the wishes of the Board. They rarely possess the independence they should have did the shareholders really appoint them, nor are their powers large enough. The accounts of railway companies are seldom audited by professional accountants, and cannot be said to be really looked into at all by competent people outside the management. The most important Acts of Parliament which contain provisions as to audit are:—Companies Clauses Consolidation Acts, 1845 and 1867; Regulation of Railways Act, 1868; Railway Companies' (Accounts and Returns) Act, 1911; Public Health Act, 1875; Friendly Societies'

Act, 1875 ; District Auditors Act, 1879 ; Municipal Corporations Act, 1882 ; Trustee Savings Banks Act, 1863 ; Building Societies Act, 1894 ; **Companies (Consolidation) Act, 1908.** The latter provides that every Company shall at each Annual General Meeting appoint an auditor to hold office until the next Annual General Meeting. Every auditor has the right of access at all times to the books, accounts and vouchers of the Company, and is entitled to require from the Directors and Officers such information and explanations as may be necessary for the performance of his duties. The Auditor must make a **Report** to the shareholders of the accounts examined and of every Balance Sheet laid before the Company in General Meeting during his tenure of office, and the Report must state (*a*) whether or not he has obtained all the information and explanations required ; and (*b*) whether, in his opinion, the Balance Sheet referred to in the Report is properly drawn up, so as to exhibit a true and correct view of the state of the Company's affairs according to the best of his information and the explanations given to him, and as shown by the books of the Company. **Public Auditors,** under the Friendly Societies' Act, 1896, and the Industrial and Provident Societies' Act, 1893, are appointed annually in December throughout the United Kingdom. They will not be ranked as public servants, and will have no salaries, nor any claim to pension or gratuity. Nor may they assume the title of "Government Auditors" or any similar one, or make any use of the Royal Arms. Applications for appointments should be sent to the Parliamentary Secretary to the Treasury, Whitehall, London, S.W., not later than 1st November.

503. An **ACCOUNT CURRENT (A/C.)** sometimes called a running a/c., is a detailed Dr. and Cr. statement, copied from the Ledger, containing an a/c. of the transactions which have taken place between you and a person during a certain time. An A/c. is usually rendered either quarterly, half-yearly, or yearly, and is generally made out with the interest charged or allowed upon each item. Sometimes **red ink interest** has to be stated in an A/c. Interest in red is that upon current B/E., reckoned from the time the interest is made out to the time the bills become due. In the example given on page 814 you will notice that the acceptance of 4th June has 35 days to run from 30th June to 4th August. The amount £1 4 – must be entered in red ink on the Dr. side, but must *not* be included in the total of that column. The £1 4 – must be *credited* to Owen & Dew, as they are deprived of the use of the £250 for 35 days beyond the time of making up the A/c. An **account stated** is one showing a balance which has been *agreed upon* by the parties. It differs from an **open a/c.** in that the burden of *proof* is thrown upon the party who seeks to question it, the balance not having been agreed upon between the parties. An **Account rendered** is one where the details have been set forth in a previous Statement, and the amount is brought forward in a single item on a subsequent Statement, and entered thus :—*To Account rendered* £125.

504. ACCOUNT PAYEE are two words sometimes written across a cheque. The words are an indication to the collecting banker as to what is to be done with the proceeds of the cheque, but the banker on whom the cheque is drawn, so long as he pays it to the right banker, is not concerned with the words "account payee." In practice, a banker who receives such a cheque for collection, requires that it be placed to the credit of the account as indicated in the crossing. In *Bevan v. National Bank, Ltd.*, Mr. Justice Channell said, "It was a direction to the receiving banker that the drawer desired to pay the particular cheque into the bank which kept the account of the payee. To disregard a direction of that kind, if the banker had information which might lead him to think that the account into which he was paying the cheque was not the payee's account, would be negligence." It is not necessary for the collecting banker to place any note or indorsement upon the cheque that the amount has been placed to the credit of the payee's account. There is no provision in the Bills of Exchange Act, 1882, regarding the words "account payee" in connection with a crossing. Section 78 says that it shall not be lawful for any person, except as authorised by the Act, to add to the crossing. It is not understood, however, that such words are really an addition to the crossing. They may as a matter of convenience be placed close to a crossing, or even between the lines, but they would have the same effect wherever placed on the cheque, so long as the collecting banker could see them, and they may be placed with effect upon a cheque that is not crossed.

505. An **ACTION** is a civil proceeding in a Court of Law, commenced by writ, or in such other manner as may be prescribed by rules of Court. Where a creditor has obtained judgment against a debtor, the Court provides means of enforcing it. A *Writ* is a judicial process, by which any one is summoned as an offender; a legal instrument to enforce obedience to the orders and sentences of the Courts.

506 An **ACT OF GOD** is some unforeseen occurrence or natural cause which could not have been prevented by any reasonable foresight. It is an event which happens independently of human action; such as death from natural causes, storm, earthquake, etc. In the law of insurance, the insurer is not liable to indemnify the insured against an act of God; and the same rule applies to a common carrier. As regards the law of contract, an act of God is a defence to an action for breach of contract only when the occurrence relied on as an act of God is one which was in fact not provided for by the contract. Thus, where a lessee of land covenants to leave the timber thereon in as good a plight at the end of the lease as it was at the beginning and the timber is destroyed by a storm the lessee is not bound by his covenant.

507. An **ACTUARY** is a person skilled in the calculation of the value of life interests, annuities, and life assurance matters. The officer of a life assurance company whose duty it is to make the necessary computations in connection with the statistics and finances of life assurance, and the actuarial reports required by the Assurance Companies' Act, 1909. An officer appointed to keep the accounts of a savings bank.

508. ADJUSTMENT, in the law of marine insurance, is the operation of settling and ascertaining the amount which the assured, after allowances and deductions are made, is entitled to receive under the policy, and of fixing the proportion which each underwriter is liable to pay. Similarly, adjustment of average is the process of calculating the values at which the articles which are to contribute are to be taken. The rule now adopted in England is to value the goods sacrificed, as well as the goods saved, at their selling price, if the ship arrives at her port of destination, and the valuation is made there; but if she puts back to her lading port, and the average is adjusted there, the invoice or cost price is taken, no other being well ascertainable. When the port of destination is a foreign port, the adjustment which is made there is known as foreign adjustment.

509. ADMINISTRATION, Letters of. When a person dies intestate (without Will) his real estate (land and buildings thereon) passes immediately to his heir; while his *personal estate* (which includes money and all other kinds of property) has to be administered for the benefit of (1) his creditors (2) the next of kin entitled to enjoy the surplus after payment of his debts. The Administrator is the person to whom the Probate Court grants L. of A. empowering him to take possession of and distribute the goods and effects of the intestate.

510. An **ADVERTISING SUSPENSE A/c.** may be opened when an advertising contract is entered into for a period of years. Such a lengthy contract may be secured at a cheaper rate than one for a short period, and the full amount expended is posted to an Advertising Suspense A/c., a proportionate part being written off against each year's profits. The balance is, of course, carried forward to the next period, and shown among the assets in the Balance Sheet.

511. ADVICE. A written communication giving information that some special transaction has been or is to be effected; particularly used with reference to *advising* the drawing and honouring of bills, and the shipment of goods.

512. AFFIDAVIT. A written statement sworn by a person, called a deponent, before a Commissioner having authority to administer an **Oath,** which is an appeal to God to witness the truth of a statement. Anyone swearing an untruth is guilty of the crime of perjury. A **Statutory Declaration** is a written statement verifying certain facts before a Commissioner for Oaths, or other person legally authorised.

513. **AFFREIGHTMENT** is the agreement made by a ship-owner to carry goods in consideration of a certain payment, called the freight. When the contract is with respect to the use of the whole ship for the cargo, the terms are embodied in the Charter Party, but if the contract is merely to convey certain goods, as part of the ship's cargo, the agreement is contained in the Bill of Lading.

514. An **AGENT** (**Agt.**) or **Attorney** is one who is empowered to represent a principal, or one who buys or sells, or is entrusted with the business of another. Contracts and arrangements made by an agent are binding upon his principal or employer, providing they are made in the usual course of business, and are understood to be on behalf of his principal. Every Manager, Clerk, Traveller, Workman, or other employee of a trader is an agent within certain limits, for carrying on the business. A **Broker** is an intermediate agent employed by merchants to buy and sell any commodity for them. The fee charged by brokers for transacting business for their principals is called brokerage. Stockbrokers call it commission. A **Jobber** is a dealer in stocks and shares on the Stock Exchange. Jobbers deal only with other jobbers or brokers on their own account, whereas brokers buy and sell only on behalf of their clients. The jobber's profit is the difference between the two published prices of the stock or security; he buys at the lower, and sells at the higher. A **Factor** is an agent dealing *in his own name*, entrusted with the possession, management and disposal of property belonging to another. The general duty of a factor is to procure the best intelligence of the state of trade at his residence; of the course of exchange; of the quantity and quality of the goods at market; their present price, and the probability of a rise or fall; to pay exact obedience to the orders of his employers; to consult their advantages in matters referred to his discretion; to execute their business with all the dispatch that circumstances will admit; to be early in his intelligence, distinct in his accts., and punctual in his correspondence. *The differences* between a Factor and a Broker are as follows:—A Factor (1) deals in his own name, (2) is always personally liable on his contracts unless he contracts specially as agent, (3) has possession of goods as well as being entrusted with their disposal. A Broker (1) deals in the name of a principal, (2) is never personally liable unless he contracts as principal, (3) is entrusted with disposal of goods but not possession. **Del Credere** is a term used in trade in reference to an agreement between an agent and his principal, whereby the former, in consideration of an additional amount being paid to him, besides his usual commission, undertakes to guarantee the payment for goods sold through his agency, and becomes thereby liable to his principal for the amount, in case of the insolvency of the purchaser. Such extra commission to the agent is called "del credere." **Per procuration** (per pro.). By procuration: an agency. The power given either by Letter or Power of

Attorney to an agent or clerk to sign cheques, bills of exchange and other documents, on behalf of a principal, or firm, thus :—

p. pro., Middleton & Sons,
Arthur Fieldhouse.

The effect of such a signature is that it operates as notice of a limited authority in the agent, and the principal is only bound if the agent was acting within his authority ; hence, if an offer to accept, or draw, or endorse a B/E. be made by an agent, the holder may and should require the production of his authority, and if not produced, may treat the bill as dishonoured.

515. An **AGREEMENT** is a written contract entered into between two or more parties relating to some act to be done or not to be done by one of such persons towards the other. Where the sixpenny adhesive stamp is not used at the time of execution, the time allowed for stamping agreements underhand, liable to the fixed duty of sixpence, is 14 days, and for all other instruments (which are not required to be stamped before execution) chargeable with *ad valorem* duty, 30 days.

516. AMORTISATION. The redeeming of bonds or shares or the gradual diminution of a debt, by means of annual drawings from a sinking fund ; or the complete extinguishment of a loan by a single payment out of some special fund set apart for that purpose.

517. ANNUITIES are of various kinds—perpetual, terminal, life, or deferred. The debt of the British Government is perpetual, but subject to periodical revisions of the rate of interest to be given upon each £100 of capital inscribed upon the books of the public debt. English railway debenture stocks are also perpetual annuities. Some insurance companies have issued a certain number of permanent annuities of £1 each. These are dealt in and quoted on the Stock Exchange at so much for each annuity of £1. **Terminable** annuities are annual sums payable to those entitled to them for a fixed number of years, such as the annuities of those of the Indian railways which have been purchased by the Indian Government. These Indian railway annuities are usually in two classes, "A" and "B." The "B" annuities, of £1 each nominal, are subject to a deduction for expenses and sinking fund. The money set aside for this sinking fund is allowed to accumulate, and will be divided among the holders at the date of expiry. "A" annuities of £1 each are only subject to a deduction of a few pence for expenses ; at the date of their termination the holders have no claims against the railway for capital to be repaid. Buyers of the "A" annuities have therefore to form their own sinking funds, by laying by a portion of the annuity each year. The National Debt Commissioners hold terminable annuities in consideration of their having paid over or surrendered so much in Consols. The Bonds of French railways are likewise terminable annuities. **Life** annuities are payable during the life of the individual entitled to them, or during the joint

lives of a man and his wife, or of any persons to whom the vendor of the annuity may agree to pay the money. Except in the case of permanent annuities, like those represented by the interest on Consols, all annuities imply an extinction of capital. The person or persons in the enjoyment of a life annuity receives back each year a proportion of the capital originally paid for it along with the interest. Provided that they are made with good insurance companies, or with the Government, these annuities are, therefore, an excellent mode of disposing money for those who have no heirs. **Deferred** annuities are those payable from a stated *future* date until death occurs—the purchase money being paid from the present time until the commencement of the annuity, either in a lump sum, or in periodical instalments. The purchase of a deferred annuity to commence at (say) age sixty by quarterly payments from now until that date is a convenient way for a young person to acquire an old age pension with a minimum of inconvenience as regards payments.

518. APPRECIATION refers to the increase in the value of an asset, particularly of real estate or investments, as well as certain other assets. The profit shown by the appreciation of assets should not, in the case of a limited company be divided among the shareholders until the assets have been sold, and the profit actually realised. It is generally considered preferable when taking into account the increased value of an asset to credit a special Reserve A/c. with the amount, rather than treat it as a profit. When the realisation of an asset results in an increase above the value stated in the account the excess may, of course, be credited to the Profit & Loss A/c. In partnership accounts, on the admission of a new partner, some of the assets are occasionally revalued at a higher figure, the difference in value being added to the various assets, and credited in proper proportions to the capital accounts of the old partners.

519. APPROPRIATION OF PAYMENTS. If a customer pays in money for a particular purpose, the banker must apply it accordingly. For example, if an amount is paid in to meet a specified cheque or bill, it must be used for that purpose, but if the amount is paid in without any particular instructions being given, the banker may appropriate the money in reduction of the customer's indebtedness. According to the rule in Clayton's case, an amount paid to credit is held to be a payment of the earliest unpaid debit in the account, and it is the sum first paid in that is first drawn out.

520. ARBITRATION. The reference, by parties to a dispute, of the matter at issue to a third party (termed an **Arbitrator**) for decision by him, instead of commencing a lawsuit. Settlement of commercial disputes by Arbitration is of frequent occurrence. The Arbitrator must be a business or

professional man acceptable to both parties. Sometimes *each* party to the dispute nominates an arbitrator, who, in case they cannot agree, appoint a third party known as an **Umpire.** The decision arrived at by the Arbitrators or Umpire is termed their **Award.** A Submission to Arbitration may be made a rule of Court on the application of either party, and if this has been done, the Award may be enforced with the Court's assistance; otherwise the only means of compelling the party against whom the Award has been given, to satisfy its directions, is to bring an action and to obtain judgment on the basis of the Award.

521. ARRANGEMENT, Deed of. An instrument embodying an agreement between a debtor and the general body of his creditors for the purpose of modifying the Debtor's obligations without resorting to bankruptcy proceedings. An arrangement of this nature is only binding on those creditors who expressly assent to it. Such a Deed is void unless registered and stamped.

522. ARRESTMENT is a legal process in Scotland by which a banker is ordered not to part with funds belonging to a certain customer who is a debtor to the person on whose behalf the arrestment has taken place. The equivalent in England is attachment.

523. ASSETS are the whole of the funds, money, goods, and other property of every description belonging to a person or company, which may be made liable for debts. Assets include the debts owing to you by others. Assets are the debit balances of the real and personal a/cs. in the Ledger. *Wasting Assets* are those which decrease in value, either by wear or tear, by the progress of invention, or by the effluxion of time.

524. ASSIGNMENT. An absolute transfer by deed of some right, interest, property or goods to another, called the assignee. A trader (the assignor) will sometimes execute an assignment for the benefit of his creditors, so as to enable them to realise his estate, and out of the proceeds to declare a dividend upon the amount of their respective debts. The assignor should be careful to provide what shall be done with a surplus should the estate be so fortunately managed as to result in a surplus after paying 20/- in the £. Unless he provides that the surplus shall be handed to him or his family, a recent decision in the House of Lords (Smith v. Cooke) shows that it will belong to the creditors although it might lead to their actually receiving 40/- in the £.

525. AVERAGE (Av.). In marine insurance, what is known as "average" is the contribution made by the owners of the ship, freight or cargo, or their underwriters, to a particular individual who has had to sacrifice his property for the safety of the goods of the rest. This contribution equalises the loss among all parties interested. Average may be either *General or particular.* In the one case it affects all who have

an interest in the ship, freight, or cargo; in the other it only affects some of them. **General Average (G/A.)** is where the goods of a particular merchant are cast overboard in a storm, to save the ship from going down; or where the masts, cables, and other gear have to be cut away; or where expense is incurred in obtaining the ship's discharge from an unjust capture or in defending a suit in a foreign Admiralty Court. In these and similar cases a general contribution is fair enough. To establish a claim for general average the danger must be imminent and general and the sacrifice indispensable. When the Captain arrives on shore, he should, with some of his men, make oath that the sacrifice was made solely for the general safety of the ship and goods, crew and passengers. **Particular Average** is any ordinary loss arising from the partial damage of a ship or cargo from the common perils of the sea and navigation incident to a voyage, and not involving their general safety. Such a loss rests where it falls, and is borne by the owner or insurer, "**f.p.a.**" is an abbreviation of "free of particular average."

526. **AVERAGE DUE DATE.** This is a date determined upon by an arithmetical operation known as "Equation of Payments," whereby a single payment can be equitably made in lieu of several payments upon different dates. To calculate the average due date upon which the total of several sums, falling due on different dates, should be paid, multiply the different amounts by the number of days between the *first* date and the date upon which the other sums fall due; divide the sum of these products by the sum of the amounts, and the result is the number of days between the first date and the average due date, *e.g.* :—

Date.	Amount due.	Days from 1st March.	Product.
March 1	£300 ..	0 ..	0
April 2	200 ..	32 ..	6400
May 4	150 ..	64 ..	9600
June 5	350 ..	96 ..	33600
	£1000		£49600

Dividing 49600 by 1000 gives $49\frac{600}{1000}$; call this 50 days which must be added to 1st March, which gives 20th April, this being the average date.

527. **A BAILMENT** is a contract by which goods are delivered by one person (*the bailor*) to another person (*the bailee*) for a certain purpose, upon an express or implied promise by the bailee to return them to the bailor, or to deliver them to someone designated by him, after the purpose has been fulfilled. The bailee is bound to take a certain amount of care of the goods while in his possession, and the amount of care may be expressly fixed by the contract. A bailee who fraudulently converts to his

own use, or to the use of any person other than the owner, anything capable of being stolen, which he possesses as bailee, is guilty of stealing and such stealing is a felony.

528. BANKER'S DRAFTS are Bills of Exchange drawn by one banker upon another, requesting the payment of a sum of money to the order of the person named, generally on demand. The second banker is generally the London Agent of the country banker. For persons having no banking a/c., who may have to make either an inland or a foreign remittance of more than £20, a Banker's Draft is the most convenient mode and may be had *free of charge if drawn payable at* 7 *or* 10 *days.* The amount must be paid over the counter, together with the banker's commission if the draft is on demand. If you had a banking a/c. and ordered a Draft, the banker would debit your a/c. with the amount and commission. Such drafts do not need to be accepted like term bills, because the drawee pays you immediately the bill is presented. If you were going abroad and wished to avoid carrying a large amount of cash, you could lodge your money in the bank and take a Draft on your banker's foreign Agent, who would give you cash for the Draft on arrival at your destination, no charge being made for such a foreign draft.

Some business men remit their creditors drafts in preference to cheques. A slip is filled up giving all the particulars of the Drafts required, and then handed to the banker. He draws and signs the Drafts, which you remit in due course. The chief advantage of these Drafts is that the London agent of the country banker is informed of the amounts of the Drafts, thus rendering any attempt at fraud or forgery impossible.

The following is an illustration of a **Foreign Banker's Draft,** on demand, drawn in duplicate, this being the *Second of Exchange.*

00048

THE NATIONAL BANK OF NEW ZEALAND, LIMITED.

No. 37/9569. CHRISTCHURCH, 10th Feby 1910.

To the Cashiers of the Bank of England

On Demand pay this SECOND of Exchange (First not paid) to the order of A. Fieldhouse

Thirty four pounds 12/- Sterling for value received.

For The National Bank of New Zealand, Limited.

£34—12/—

Manager

Acct Accountant

529. A BANK PASS BOOK is for the purpose of entering all the amounts received and paid away by the bank on your behalf. This book must be taken to the bank at frequent intervals to be entered up, and on its return each item must be carefully checked in order to see that you have been duly credited with all your deposits and debited with the **amounts withdrawn** by cheques. The following is the copy of a **page** from a **Pass Book**, showing on the **debit** side the record of the amounts of all the **cheques** drawn by the customer, Fieldhouse, against the Equitable Bank. If the account had been overdrawn there would have been a debit for *Interest* and *Bank Charges*. The cost of a Cheque Book would also be debited, unless paid for in cash by the customer. The **credit** side records all cash and cheques paid into the Bank by the customer, as well as Interest and Dividend Warrants remitted direct from Corporations or the Government by request of the customer. Unless the account is overdrawn by the customer he will find himself credited at the end of each half year, June and December, with interest.

Mr. ARTHUR FIELDHOUSE, 66 TRINITY STREET,

in account with

THE EQUITABLE BANK, LIMITED.

Huddersfield Branch.

Dr. *Cr.*

1925		£	s.	d.	1925		£	s.	d.
Dec. 2	To Brought forward	300	4	6	Dec. 1	By Brought forward	942	7	4
,, 4	,, Bearer	50	–	–	,, 4	,, Cash	364	1	5
,, 5	,, Barton	5	5	–	,, 6	,, Leeds Corpor't'n	15	5	2
,, 8	,, Advertiser	400	–	–	,, 9	,, Cash	23	8	3
,, 10	,, Netherwood	350	10	–	,, 12	,, India 3½%	1	10	10
,, 13	,, Authors' Club	2	2	–	,, 16	,, War Stock 5%	2	12	3
,, 17	,, Jones	25	1	6	,, 20	,, Cash	217	6	3
,, 20	,, Kaye	16	2	8	,, 24	,, Do.	48	5	4
,, 24	,, Publishers	5	5	–	,, 31	,, Do.	179	5	6
,, 29	,, Society of Arts	3	3	–	,, ,,	,, Do.	583	10	7
,, 30	,, Grant	250	–	–		,, Interest	22	7	1
,, 31	,, Cheque Book		8	4					
,, ,,	,, Salaries	50	–	–					
	,, *Balance*	941	18	–					
		£2400	–	–			£2400	–	–
					1926				
					Jan. 1	By Balance b/f.	941	18	–

530. BANK POST BILLS (**B.P.B.**), which are not subject to days of grace, are promissory notes to order, payable at seven or sixty days after sight, issued by the Bank of England for any sum from £10 to £1000. Any person may obtain a post bill free of charge (the use of the money being accepted by the Bank as a sufficient remuneration), upon depositing with the Bank or any of its branches, that sum for which the bill is required. These Bills, which are really Banker's Drafts, form an easy means of transmitting money from one part of the kingdom to another.

BANK OF ENGLAND.

No. M5855. £28 8 6, without acceptance.

Seven days after date pay this Sola Bill of Exchange to *Edwin Clay*, or order, *Twenty-eight pounds eight shillings and sixpence*, for value received.

Leeds Branch, *4th May*, 1926.

G. W. LIDDERDALE, Agent.

To the Cashiers of the Bank of England, London.

531. The **BANK RATE** of Discount is that charged by the Directors of the Bank of England for discounting the bills of its customers. The Bank Rate is regulated by the Directors at their weekly meeting, according to the demand for advances, the quantity of Gold in the market, and the amount of reserve in the Bank. It may seem strange, but it is literally true, that money rises and falls in value, just like any other commodity. When the Bank Rate is low, we say money is cheap; when it is high, we say money is dear. The object sought by the advance of the Bank Rate is to stop the withdrawal of Gold from the Bank; and on the contrary, when gold is plentiful at the Bank, the rate is lowered, to cause the withdrawal of gold to other countries where it is more valuable. The Bank Rate for the 22nd Jan., 1926, was 5%, and the rates of discount in the *open market* were as follows:—

Bank Bills.		Trade Bills.	
Three months	$4\frac{1}{16}$ to $4\frac{3}{4}$	Three months	5 to $5\frac{1}{2}$
Four ,,	$4\frac{3}{4}$ to $4\frac{13}{16}$	Four ,,	$5\frac{1}{4}$ to $5\frac{1}{2}$
Six ,,	$4\frac{3}{4}$ to $4\frac{13}{16}$	Six ,,	$5\frac{1}{2}$ to 6

532. BANK RETURN. The Report issued by the Bank of England every Thursday afternoon, and which is looked for not only by City men, but by merchants and bankers all over the kingdom. It shows the amount of Bank Notes in circulation, the stock of Bullion and Coin in reserve, and such other details as enable the experienced to judge of the state of the money market and its probable tendency in the immediate future. The following is the Official Return of both Departments of the Bank made on the 14th November, 1923, followed by the combined or ordinary Balance Sheet, except that there is no record of the value of the Bank's premises and furniture, which are worth some millions.

BANK OF ENGLAND.

An account, pursuant to the Act 7 and 8 Vict., cap. 32, for the week ended on Wednesday, 14th November, 1923.

Issue Department.

Notes Issued	£145,608,740	Government Debt	£11,015,100
		Other Securities	8,734,900
		Gold Coin and Bullion	125,858,740
		Silver Bullion	—
	£145,608,740		£145,608,740

Banking Department.

Proprietors' Capital	£14,553,000	Government Securities	£43,718,506
Rest	3,172,498	Other Securities	71,469,488
Public Deposits, including Exchequer, Savings Banks, Commissioners of National Debt & Dividend Accounts	14,885,309	Notes	21,404,585
		Gold and Silver Coin	1,827,286
Other Deposits	105,804,208		
7 day and other Bills	4,850		
	£138,419,865		£138,419,865

COMBINED BALANCE SHEET.

Liabilities.		Assets.	
PROPRIETORS' CAPITAL	£14553000	Government Debt	£11015100
Notes in circulation	124204155	Other securities in Issue Department	8734900
Public Deposits, etc.	14885309	Government securities in Banking Department	43718506
Other Deposits	105804208	Other securities in ditto.	71469488
Seven-day and other Bills	4850	Coin and Bullion on hand	127686026
REST or undivided Profits	3172498		
	£262624020		£262624020

The Return shows the following changes compared with the previous week :—

Circulation Issue	145608740	Increase	11010
Circulation Active	124204155	Decrease	657800
Public Deposits	14885309	Decrease	3464688
Other Deposits	105804208	Increase	4753436
Government Securities	43718506	Increase	830000
Other Securities	71469488	Decrease	180385
Coin and Bullion	127686026	Increase	11262
Notes in Reserve	21404585	Increase	668810
The Rest	3172498	Increase	30073
Total Reserve	23231871	Increase	669062

Proportion of Reserve to Liabilities 19.2% Increase .4%

From the **Return** of the **Issue Department** it appears that at the close of business on 1st June, the Bank of England had its **notes issued** outstanding to the extent of £145,608,740, against which it held coin and bullion for £125,858,740, and securities for £19,750,000. Under the **Bank Charter Act**, 1844, the Bank was authorised to issue notes to the extent of £14000000, against securities, [and given the power of increasing the *fiduciary issue*, on the discontinuance of the issue of notes by any country

bank authorised to issue notes, to the extent of two-thirds of the lapsed issue of such country bank, and it is through the exercise of the right so conferred that the issue against securities has increased from £14000000 to £19750000. It will be noticed that, of the notes issued by the Issue Department, £21,404,585 were held by the Banking Department. Hence, notes to the extent of £124,204,155 were in the hands of the **public**—including the other banks—and constituted the **active circulation** of the Bank at the date of the above Return.

In the **Return** of the **Banking Department** the first item is **Proprietors' Capital.** The amount thereof—£14,553,000, the largest paid-up capital of any bank in the world—gives to the Bank a position of absolute stability and of unrivalled strength.

The **Rest** consists of the surplus or **undivided profits** to date of the Bank's business. As the directors never allow this fund to fall below £3000000, it is to that extent of the nature of a **reserve fund.**

The amount standing to the credit of **Public Deposits** represents the balances at the credit of the accounts of the British Government departments, the Secretary of State for India, and kindred accounts. The amount varies from about £7000000 to £15000000, being greatest usually during March of each year, when the collection of income and other taxes is specially heavy causing the amount to run up to over £20000000.

The amount at the credit of **Other Deposits** represents the Bank's liability to its ordinary customers, including the chief London banks, which keep their **floating balances** with the Bank.

The balance at the credit of **Seven day and other Bills** represents the Bank's liability in respect of Bank Post Bills issued by its branches at a currency of **seven days fixed** for remittance purposes.

On the **assets** side of the Return of the Banking Department, the first item is **Government Securities.** These are such securities held by the Bank as yield an **income** guaranteed by the British Government—Consols, Exchequer Bonds, Treasury Bills, &c.

The **Other Securities** include the Bank's **investments** in Indian, Colonial and Corporation securities, bills under discount, and advances to bill brokers and to its ordinary customers.

The **Notes, Gold** and **Silver Coin** jointly constitute the **Reserve,** the **actual cash** held by the Banking Department to meet its liabilities to the public, that is, in respect of Public Deposits, Other Deposits, and Seven day and other bills. In the above Return it will be noticed that the notes, gold and silver coin, amounted to £23,231,871, as compared with liabilities to the public of £120,694,367. The ratio of cash to liabilities on 14th November, 1923, was thus 19·2%.

583. BILLS OF EXCHANGE. Drawer's Liability. The drawer of a Bill, by drawing it, engages that on due presentment it shall be accepted and paid, that if it be dishonoured he will compensate the holder or any endorser who is compelled to pay it, provided that the requisite proceedings on dishonour be duly taken. By drawing a bill, the drawer gives an implied undertaking that upon presentment to the Drawee it shall be accepted.

To endorse a Bill is to write one's name across the back of a bill, thereby engaging to compensate the holder or a subsequent endorser should it be dishonoured by the acceptor. By endorsing a bill, an endorser takes upon himself the responsibility of a new drawer. Endorsements are divided into two classes, "blank" or "general" and "special." A **blank** endorsement is one where the **endorser** (in order to transfer his interest in the bill) simply writes his name on the back of the bill without specifying the **endorsee.** An endorsement is *special* when the endorser transfers his interest in the bill to some special endorsee say John Smith, as follows :—

"Pay John Smith, or order."
"Pupil Bros."

The effect of this special endorsement is that the instrument is only payable to the order of John Smith, who must further endorse it on negotiation. An **Agent,** or any other person who endorses and does not want to become *personally* liable, should add to his name the words **sans recours,** or **without recourse to me,** by which means he will avoid the contingent liability to which he would otherwise be subject, if the acceptor failed to honour the bill. In addition to the endorsements consequent upon the ordinary negotiation of a bill, it sometimes happens that the acceptance by a certain person of a bill is not considered sufficient. That person may not be regarded as reliable for payment of the amount, and the drawer insists on someone endorsing or **backing** the bill which leads to a friend of the acceptor endorsing it, and thereby making himself liable for the amount in case of dishonour. Endorsers of a bill must therefore be always informed of dishonour, as all of them are, collectively and individually, liable for the amount. When the back of a bill is filled with endorsements, further signatures may be written on an **allonge,** which is a slip of paper of similar size and shape to a bill, pasted on the end thereof. The allonge must be attached to the bill before it is endorsed, otherwise it might become affixed to the wrong bill. The first endorser on the allonge should so write his name that it appears partly on the bill and partly on the allonge, in order that the allonge may not be detached and attached to another bill of higher amount.

In **negotiating** a bill, although endorsement is generally required for the security of the transferee, it is not always absolutely necessary. For instance, a bill or note payable to bearer is negotiated by delivery, as well as a bill or note payable to a person named, *after* he has endorsed it in blank, which

endorsement makes it payable to bearer, and therefore also negotiable by mere delivery or transfer of possession. The person delivering the bill is called the **transferor,** and the person receiving it the **transferee.** Unlike an endorser a mere transferor does not, of course, incur any liability on the bill. A bill drawn in favour of *Tom Sykes only*, would prohibit its transfer, and would therefore be **not negotiable,** that is, its value could not be transferred to another by delivery. The same remarks apply to a bill with a **restrictive endorsement** as *Pay John Smith only, Pupil Bros.*

Case of Need. The drawer of a bill being unable to know for certain whether the drawee will accept or, having accepted, will pay, may insert the name of a person to whom the holder may, if he pleases, resort in case of non-acceptance or non-payment. This person is called a "*referee in case of need.*" In other words a "case of need" is a statement occasionally put upon a bill of exchange by the drawer or one of the endorsers, naming a person who will guarantee its payment, and to whom the holder may have recourse in case of dishonour. The following is the usual form :—

"In case of need apply to JOHN SMITH,
622 Moorgate Street, E.C.,
Pupil Bros."

The purport of this is, that if the bill is not paid at maturity John Smith (who knows your firm to have a reputation for integrity and financial honour) will pay it for your honour. Pupil Bros. would, of course, communicate with John Smith and ask him (if necessary) to **protect their signature** by accepting the draft, so that they might be saved the discredit of it being said that a draft of theirs had been dishonoured.

Acceptance and Payment for Honour. When acceptance is refused and a bill is protested for non-acceptance, or where a bill has been protested for better security and is not overdue, any person not being liable thereon may, with the consent of the holder, intervene and accept the bill *supra protest*, for the honour of any party thereto, or for the honour of the person for whose account the bill is drawn. If the acceptance does not state for whose honour it is made, it will be deemed to be for the honour of the drawer. An acceptor for honour is liable on the bill to the holder, and to all parties to the Bill subsequent to the one for whose honour he has accepted. In the case of inland bills, it is only to the holder of a current bill dishonoured by non-acceptance, or accepted by a person who has since become insolvent, that an acceptance *supra protest* is of any use ; and the noting and the protest are of no use except to give validity to such an acceptance. The acceptor *supra protest* must personally appear before a Notary Public, with witnesses, and declare that he accepts such protested bill in honour of the drawer or endorser as the case may be, and that he will satisfy the same at the appointed time, and then he must subscribe the bill with his own hand. Where two or more offer to pay *supra*

protest, that one is to be preferred whose payment will discharge the most parties, that is, that person who proposes to pay for the honour of the earliest party to the bill. If the holder refuses to receive payment *supra protest* he loses his rights against all parties who would have been discharged by such payment. The simplest course for a person who wishes to protect the credit of a party to a bill is to pay the holder and take the bill. It is only if the holder refuses to transfer it that payment for honour need be resorted to.

Liability and Security. The acceptor of a bill is the person who is to be liable to the drawer, so long as it remains in the drawer's hands, and he (the acceptor), is *always* the person *primarily* liable to the holder; and when the drawer delivers the bill to the payee, or bearer, or by endorsement transfers the bill to another, the drawer in his turn becomes liable as well as the acceptor, to the holder of the bill, and so does every subsequent endorser, the security thus increasing with each endorsement.

Accommodation Bills. (sometimes called "kites" or "windmills") are bills drawn, accepted, or endorsed, though no consideration or value has been given for them. Such bills are usually made by two or more persons with a view to their being discounted for the temporary convenience of and accommodating one or more of the parties concerned, each of them agreeing to provide the acceptor, at, or previous to its due date, with funds to meet the bill. A **Trade Bill** is one drawn in connection with actual trade operations. The term is used to distinguish the paper from a bank bill or from a "kite." A **Bank Bill** is one issued or accepted by a bank. The discount rates for bank bills are less than the rates for fine trade bills; for example, when the rates for three months' bank bills are quoted at $2\frac{7}{16}$ to $2\frac{1}{4}$ per cent., trade bills may be quoted at, say $2\frac{1}{2}$ to $2\frac{3}{4}$. **Fine Paper** is the term used to indicate bills which are drawn upon banks or first-class firms.

Protest of a Bill. A document containing a solemn declaration made by a Notary Public that he has presented a foreign bill of exchange, either for acceptance or payment, that the answer quoted is the one he received, and that he formally protests against non-compliance with the demand. This document is engrossed on paper, impressed with a shilling stamp, *after* a bill has been *noted*, and it is drawn up for the holder's protection, so that *recourse* may be had upon the drawers or endorsers residing abroad. *Noting* is really the preliminary step to *protest*; while *protesting* is practically *extending* a *protest*. Extension of protest is essential in the case of foreign bills, since a notarial protest is regarded by the laws of most foreign nations as the only legal evidence of dishonour, and therefore necessary to enforce the holder's rights abroad.

Usance. The customary period allowed between different countries for drawing bills of exchange. When bills are drawn between different countries there is a given period for which it

is customary or *usual* for the bill to be drawn. This usual term is called *usance* of bills. The extent of usance is principally controlled by two considerations :—(**A**) The distance and facility of communication between the countries. (**B**) The quickness with which the goods can be sold. Double or treble usance is double or treble the usual time, and half usance is half that time. **At sight** is a term sometimes used upon bills of exchange when they are payable on demand. Such bills do not need to be accepted. In book-keeping they are treated as cheques.

A **long bill** is one having a long term to run, as 6 or 9 months after date or after sight ; while a **short bill** is one payable on demand, at sight, or having less than 10 days to run ; also those bills received by bankers for collection and which have nearly matured. **Short exchange** is the rate for cheques or drafts at sight, or payable within a day or two. There being no question of interest involved, the variations of the short exchanges above or below the mint Par is the measure of the monetary balance of trade, including therein the movement of floating capital.

Sole or **sola** means only one bill as opposed to a " set " ; **First** denotes the first of a set ; a **Copy** is a facsimile or duplicate ; and **Via** means any one of a " set of bills."

The **holder** is the person in actual or constructive possession of the bill, and entitled at law to recover its contents from the parties to it. If the holder takes a **composition** from the acceptor or maker, the other parties are discharged. Part payment, of course, has no such effect.

The chief **differences** between a **B/E.** and a **P/N.** are as follows :—(1) A bill has three original parties—drawer, drawee, and payee ; a note only two—maker and payee. (2) The drawer of a bill is liable only in a secondary degree ; the drawer or maker of a note is the principal debtor. (3) A bill is an *order*, a note, a *promise* to pay. (4) Notes do not require presentment for acceptance, nor can they be accepted for honour. (5) The acceptors of a bill can only be liable jointly ; the makers of a note can be liable jointly and severally. (6) A Bill may be accepted conditionally by the principal debtor, but a note cannot be made conditionally by the maker. (7) Notes are not made in sets, nor is a protest required in the case of a foreign note dishonoured here.

Arbitration of Exchange is where a merchant pays his debt in one foreign country by a B/E. upon another foreign country. The price of bills payable in different centres is taken into account, and if it is found that it is cheaper to settle a debt in, say, Paris, by means of a bill upon, say, Amsterdam or Berlin, than by a bill upon Paris, the merchant takes advantage of that fact and makes payment accordingly. Simple arbitration is where only one intermediate place is included in the transaction; where there are several places it is called compound arbitration.

A **Documentary Bill** is a B/E. accompanied by various documents such as invoice, B/L., policy of insurance, and letters of hypothecation ; these latter documents being available to

satisfy the amount of the bill in the event of its not being duly honoured at maturity. A **clean** B/E. is one in which there is no reference to documents.

£500. *LONDON, 22nd July,* 1926.

Stamp Five Shillings.

NINETY DAYS after sight, pay this FIRST of Exchange (Second and third unpaid) to our Order, the sum of Five Hundred Pounds sterling, value received against

OD

100/5, = 6 *bales of Worsteds, per S.S. "City of Athens."* ***Shipping Documents attached to be surrendered on payment.***

CHAS. MEE & CO.

To Messrs. OWEN & DEW,
SYDNEY.

£145 10*s.* 4*d.* *LONDON, 22nd July,* 1926.

Stamp Two Shillings.

SIXTY DAYS after sight, pay this FIRST of Exchange (Second and third unpaid) to our Order, the sum of One Hundred and Forty-five Pounds, Ten Shillings, and Four Pence, Sterling, payable at the National Bank of India's drawing rate for demand drafts on London, with interest at (6) per cent. per annum, added thereto, from date hereof, to approximate due date of arrival of the remittance in London value received against

J/8

1000/4 = 5 *bales of Grey Dhooties, per S.S. "Victoria."*

To Messrs. BRUCE & SYKES, *JONES & CO.*
CALCUTTA.

Endorsement :—Pay the National Bank of India, Limited, or order.
Jones & Co.

N.B.—The above draft would be discounted by Jones & Co. with the bankers who acted as English Agents for the National Bank of India. Attached to the draft as securities for the amount advanced, would be the following documents, viz. :—Invoice, Bills of Lading, Policy of Insurance, and Letters of Hypothecation. Presuming that Bruce & Sykes paid the above draft on 20th October, and that it was calculated the remittance would reach London on 16th November, the number of days in respect of which interest would be payable would be 117, the amount being £2 16 –. The total amount payable in Indian currency by Bruce & Sykes, if the exchange were at 1/4, would amount to Rs. 2224 12a.

534. BILL OF LADING (B/L.). A memorandum given by the brokers or owners of a vessel acknowledging the receipt of goods and an agreement as to their delivery, freight, &c. A B/L. sets forth the ship's name, the skipper's name, the port of destination, the number and weight of goods shipped, their marks, the agreed conditions concerning freight and primage, and the name of the person to whom the goods are to be delivered. A B/L. is an instrument of possession, and, during the voyage, represents the goods shipped, just as a *warrant* represents the goods lodged in a dock warehouse. Any person in the lawful possession of a B/L. is therefore considered as the lawful owner of the goods for which it has been issued and invested, with all the rights and liabilities attaching to them under the document. Like a warrant or any other instrument of credit, a B/L. may be either deposited with a creditor as a security for money advanced, or transferred to a buyer by means of endorsement, and the property of the goods will be thereby assigned either absolutely or by way of mortgage. A *Clean* B/L. is one in which there is no clause detrimental to the shippers. A B/L. must be *impressed* with a sixpenny stamp before execution.

Stamp 6d. embossed.

Antwerp.
6 *B/s.*
numbered
1000 *to* 1005,
respectively.
Charges :—
£

Shipped in good order and well conditioned by Messrs. Jones & Co., in and upon the good Steam-Ship "*Victoria*," whereof *Captain John Dale* is Master for this present voyage, now lying at **GOOLE**, and bound for *Antwerp, six bales printed cottons,* being marked and numbered as in the margin, and are to be delivered in the like good order and condition at the aforesaid port of *Antwerp,* or so near thereto as she can safely get (the act of God, &c., excepted), unto *Messrs. Bruce & Sykes* or to their assigns, they paying freight for the said Goods, *Two pounds, seven shillings and eightpence,* with primage and average accustomed, and Charges as stipulated. In witness whereof the Master or Agent of the said ship has signed *three* Bills of Lading, of this Tenor and Date, one of which being accomplished the others to be void. Dated in **Goole,** 13*th July,* 1926. Weight and contents unknown.

JOHN DALE.

535. BILL OF SALE (B/S.). A Document assigning personal property and generally given as security for a loan which must not be less than £30. It empowers the assignee to seize and dispose of the property assigned upon the non-fulfilment of certain conditions respecting the repayment of both principal and interest. Bills of Sale, which must be registered and stamped, are either **absolute** or **conditional.** An **absolute** Bill of Sale is a sale out and out, the property in the goods passing

to the grantee, without the grantor retaining any rights of redemption. A **conditional** Bill is a mortgage of personal chattels and its object is to secure the payment of money. In this case, although the property in the goods passes to the grantee on the execution of the deed, the grantor holds possession of the goods until default, and has a right to redeem them by payment of the money secured by the Bill. While the signatures to a conditional Bill may be attested by one or more credible witnesses, it is necessary that a *Solicitor* should attest the signature to an *absolute* Bill.

536. A **BLANK CHEQUE** is one signed by the drawer without any amount being filled in. When such a cheque is issued it is usually with the intention that the payee or some other authorised person should fill in an amount sanctioned by the drawer. A blank cheque is an unsatisfactory document to give to anyone, as it might easily fall into the hands of some person who would make a wrong use of it.

537. BOARD OF TRADE. A department of H.M. Government for the superintendence of all matters relating to the mercantile marine trade and navigation. The "Board of Trade Returns," published monthly, supply information as to the imports and exports.

538. BOND. A bond is a document under seal by which a person binds himself to pay a sum of money at a given time, or under special conditions. The person giving the bond is called the *obligor*, and he to whom it is given the *obligee*. A **Post-Obit Bond** is one under which a person receiving money binds himself to repay the same, generally with interest, after the death of an individual from whom he expects to inherit property. Bonds are often given by Governments and Corporations as securities for loans. According to their character they are named respectively: Bonds to Bearer; Currency Bonds; Gold or Sterling Bonds; Lottery Bonds; Registered Bonds; Lloyds Bonds. A **bearer** bond, that is a bond which is payable to the bearer, in contradistinction to a bond which is registered in the name of the holder, passes by mere delivery the full benefits conferred by the bond, so long as the transferee takes it in good faith and for value and without notice of any defect in the transferor's title. If it should ultimately appear that the transferor had stolen the bond, or had otherwise a defective title, the transferee's right to retain the bond would not be affected. A **bearer bond** belongs to the class of documents called negotiable instruments. Attached to the bond, or in a separate sheet, is a series of **coupons**, each one being dated, if the interest is payable half-yearly, for a different half-year, and forming the warrant, upon production of which the holder will be paid the interest represented by that coupon. Some coupons are not dated, being payable according to advertisement. A coupon sheet should not be detached from the bond. Securities to bearer, without the current coupon, are not a good delivery on the Stock Exchange.

539. BONDED GOODS. Merchandise liable to duty, deposited in Government or Bonded Warehouses (known in France as Entrepôts) until the duty upon them is paid. While the duty remains unpaid the goods are said to be "In Bond," a bond having been signed on behalf of the owners, that the duty will be paid when the goods are removed for consumption.

540. BONUS. An extra dividend occasionally paid to shareholders in public companies when extraordinary profits are realised. Also a periodical addition made to Life Assurance Policies out of the ordinary profits of the business. A **Bonus to Employees** is a portion of the profits distributed among the staff in order to encourage them to take a greater interest in the business. In some cases, however, the bonus is given only to heads of departments or managers, as an incentive to vigilance and economy in the interests of the company or firm. This item may be recorded in the Profit & Loss A/c. or the Appropriation A/c., according as it is a fixed amount or a percentage of the actual profits. A separate ledger a/c. must be opened, the account being closed by payment in cash of the bonus which, till then, appears in the Balance Sheet as a liability.

541. BOOK DEBTS are the unpaid a/cs. or debts receivable standing in a merchant's books; that is, the amounts owing to you by your customers or debtors; the Dr. Balances of personal a/cs.

542. A **BOOM** is an upward rush of prices produced by active speculation. This word is usually employed by financial writers to signify a manufactured or manipulated advance, intended to attract the public to buy when prices are near the top. A Boom is often followed by a **Slump,** which is a sudden depreciation in securities, frequently resulting in a crisis, and eventually in a panic.

543. BOTTOMRY. A contract by which the owner or captain of a vessel borrows money on the security of the bottom or keel, by which, a part being put for the whole, is meant the ship itself. If the ship be lost, the lender loses all his money. If on the contrary it returns in safety, he receives back the principal with interest at any rate which may be agreed upon between the parties.

The necessity for bottomry generally arises when the captain of a vessel is forced, perhaps by his ship springing a leak, to put into a strange port, where he must raise money to pay the cost of repairs and other charges. Should a captain, after granting a Bottomry Bond, meet with further disaster, and have to raise more money by bottomry before the completion of his voyage, the last bond must be paid first, the holder of the first bond having to be content with the settlement of his claim last. **Respondentia** is a contract by which the owner or captain of a vessel borrows money on the security of the cargo, in which case the borrower is personally responsible and is bound to answer the contract. The chief difference between a Bottomry and a Respondentia bond is that the principal and interest

secured by the latter document must be repaid, as the borrower is personally liable.

544. BOUNTY. A bonus or premium paid by certain Governments to manufacturers or merchants, by which the latter are enabled to export certain goods at a cheaper rate, and so undersell other countries.

545. A **CAMBIST** is a person who deals in foreign moneys, notes and bills of exchange. One who is skilled in the value of foreign moneys and the operations of exchange.

546. CAPITALISATION. It is frequently desired where a Company has accumulated large reserves of undivided profits to capitalise a portion or the whole thereof and distribute the amount as a "Bonus" among the Members in proportion to their respective interests. If the issued Shares are not fully paid, the capitalisation of the undivided profits may be effected by declaring a Bonus and satisfying the same by crediting each partly paid share with a proportionate amount of such Bonus. More generally, the issued Shares are already fully paid up, in which case the capitalisation can only be effected by the issue to the Members, in accordance with their rights under the Articles, of fully or partly paid Shares. Where necessary, the nominal Capital must be increased in the manner prescribed by the Company's Articles.

547. A **CASH CREDIT** is an undertaking on the part of a bank permitting a customer to overdraw his current account up to a specified limit, usually ranging from £100 to £1000. It is usual for the customer either (1) to deposit securities to partially or fully cover the overdraft, or (2) to enter into a Bond, with two or more sureties, the latter guaranteeing to satisfy the claims of the bank in the event of the insolvency of the customer. The sureties should keep a watchful eye on the state of the accounts, and if they find that the customer is not conducting his business properly, they can authorise the bank to call in the loan and can give notice to withdraw their guarantee. A **Commercial Credit** is an undertaking whereby a bank engages to accept on behalf of an importer of goods documentary bills drawn upon it by the relative exporter for the cost of the shipment. The bank holds the documents of title to the goods as security, as against the importer, upon whose behalf it has accepted the bills.

548. A **CASH ORDER** is a bill of exchange drawn by one person on another. For example, a wholesale dealer, Arthur Adams, who has supplied goods to, say, Bryan Bates, a shopkeeper, draws a cash order upon him usually in the following form :—

Boar Lane, Leeds,
£50. 8th June, 1926.

On demand pay to Lloyd's Bank, Ltd., or order, the sum of Fifty pounds sterling for value received.

ARTHUR ADAMS.

2d. Stamp.

To Mr. Bryan Bates,
Kirkgate, Wakefield.

The order must be endorsed by the banker to whom it is payable, or, if payable to the drawer's order, by the drawer. The cash order is sent to the banker in the town where Bryan Bates lives for collection, and the banker sends out a messenger to Bryan Bates' address and presents the order for payment. It is expected that the order will be paid in cash, though in some cases payment is received by cheque, when it is known that the drawer is perfectly good, and the cheque can be collected the same day. In some districts it is customary for the drawee, when the order is presented, to accept it payable at his bankers in the same town. When this is done, it should be passed through the local clearing house on the same day. The remitter of the order often gives instructions that, if it is not paid on the day of receipt, it may be held over till the following day. In the absence of such instructions the remitter should be advised if a cash order is held over. If the drawee is not at home when the messenger calls a note is left that the order is at the bank and requires his attention. Cash Orders are not, as a rule, accepted by the drawee, and consequently he cannot be sued upon them, but if he gives his cheque in exchange, and it is dishonoured, he can be sued upon the cheque.

549. CERTIFICATE. The paper which testifies to the ownership of stocks or shares in a joint stock company. It is issued under the common seal of the company, and is usually signed by one or more of the directors and the secretary. Except as a ready means of proving that the individual named in the paper is the owner of so many shares in this or that limited company, numbered, say, from 1000 to 1100, on which so much has been paid up (or fully paid), or holds stock to the value of so much, the certificate has no value. Possession of it does not entitle the holder to claim the shares or stock standing in the name upon it. That can only be done in the event of the holder signing a *transfer* upon which the name of the transferee is to be found. Therefore the mere loss of a certificate of ownership does not entail loss of the property held. The proof being given to the company that the loss has taken place, the owner can usually get a new certificate on signing a *Letter of Indemnity.*

550. CERTIFICATES of PAST PROFITS. A paper issued by professional accountants, generally embodied in the prospectuses of companies formed to buy businesses already in existence, in which is set forth the net earnings of the concern to be taken over. Sometimes these certificates are reliable, oftener they are misleading ; but the deception is not necessarily the work of the accountant. Important facts about the business may have been concealed from him ; it may be entering on a period of low profits or decay, or it may have been worked for a few years back, over which the accountant has been permitted to look, with a view to its transformation and sale. Complete reliance, therefore, is never to be placed on these certificates.

551. CHARTER PARTY (C/P.). A contract by which an entire ship, or some principal part thereof, is chartered or let to a merchant (*the charterer*) for the conveyance of goods for a defined period of time or on some determined voyage to one or more places. This contract can be made by the owner or his agent, or by the captain on behalf of the owner. This document must state the voyage to be performed and the terms on which the goods are to be carried. It must specify the ship's tonnage, the number of days to be consumed in loading and unloading (known as lay days), the demurrage to be charged for the ship's detention beyond that time, the course she is to pursue, and all particulars necessary to bind the parties to the terms agreed upon between them. A certified copy of the original C/P. is made for the charterer. A **time charter** is one where the vessel is hired for a specified length of time; while a **voyage charter** is one where a vessel is chartered for a certain determined voyage or voyages irrespective of time. The stamp duty on the original is sixpence, which may be denoted either by an adhesive or embossed stamp.

552. CIRCULAR NOTES, which are convenient in travelling, are obtained from a banker on payment. They are addressed by the issuing banker to his correspondents at a distance requesting them to pay a sum named to the person named, whose signature is to be found in a separate *letter of indication*. The circular notes are already filled up with their amounts and signed by the issuing banker. All that the person named has to do is to present the **letter of indication** his signature on which proves his identity, and endorse the notes with a like signature. If a thief steals the notes without the letter of indication, they are of no use to him. If he steals the letter as well and forges a signature resembling that contained therein, the correspondent who cashes the note cannot recover the amount from the issuing banker, and, if the banker pays, he cannot take credit for the payment as against the person whose name is forged. The person in whose favour the notes are drawn is not obliged to use them, and is entitled to have the money for the unused notes refunded.

553. CLEARING. A system adopted by **banks** for exchanging among themselves, such bills, drafts, and cheques, due by any one of them, which are in the possession of another instead of attending separately at the banks upon which they are drawn. The London Bankers Clearing House is the medium through which bankers obtain the amount of cheques and bills in their hands for collection among other bankers. Clearing bankers settle the whole amount delivered during the day at this establishment by receiving or paying the difference in their amount by a single cheque on the Bank of England. Below are the official returns for five months :—

1910. Weeks ending.	Town Clearing.	Country Clearing.	Total.
January 1 to April 6	£3,639,096,000	£308,777,000	£3,947,873,000
„ 13	240,034,000	23,149,000	263,183,000
„ 20	310,592,000	26 035,000	336,627,000
„ 27	223,561,000	21,691.000	245,252,000
May 4	316,522,000	23,573,000	340,095,000
„ 11	242,040,000	26,738,000	268,778,000
„ 18	266,845,000	22,137,000	288,982,000
„ 25	216,717,000	21,073,000	237,790,000
June 1	307,771,000	22,612,000	330,383,000
Total..	£5,763,178,000	£495,785,000	£6 258,963,000

554. CLEARING A VESSEL is the obtaining of the license of the Custom House Officer before a ship is allowed either to depart on her voyage or to clear herself after her voyage is completed. This license is known as clearance; which may be outward or inward.

555. COMMENCING BUSINESS. A Joint Stock Company is prohibited from commencing any business or exercising any borrowing powers unless—(*a*) shares held subject to the payment of the whole amount thereof in cash have been allotted to an amount not less in the whole than the Minimum Subscription; (*b*) every Director of the Company has paid to the Company on each of the shares taken or contracted to be taken by him, and for which he is liable to pay in cash, a proportion equal to the proportion payable on application and allotment on the shares offered for public subscription, or, in the case of a Company which does not issue a Prospectus inviting the public to subscribe for its shares, on the shares payable in cash; (*c*) there has been filed with the Registrar a Statutory Declaration by the Secretary or one of the Directors, that the aforesaid conditions have been complied with; (*d*) in the case of a Company which does not issue a Prospectus inviting the public to subscribe for its shares, there has been filed with the Registrar a Statement in Lieu of Prospectus. On the Statutory Declaration being filed the Registrar issues his Certificate that the Company is entitled to commence business, and such Certificate, usually described as the **Trading Certificate,** is conclusive evidence that the Company is so entitled.

556. COMMERCE. The intercourse of nations in each others produce and manufactures, in which the superfluities of one are given for those of another, and then re-exchanged with other nations for mutual wants. There is a distinction between commerce and **trade;** the former relates to our dealings with foreign nations, colonies, &c., the latter to mutual dealings at home. **Chambers of Commerce** are societies of business men formed for the purpose of promoting their interests in trade and commerce.

557. COMPENSATING INTEREST. Where the customer of a bank has two accounts, one in credit and one overdrawn, and the former is regarded as a set off to the latter, interest is

allowed in the credit account to compensate for the interest charged on the overdraft, so long as the overdraft does not exceed the credit balance.

558. CONSIDERATION. The price, motive, or matter of inducement of a contract, which must be lawful in itself. The consideration is the very life of a simple contract or parol agreement; while a speciality, or contract under seal, does not require a consideration to make it obligatory at law, the law always presuming a sufficient consideration, which the parties, except in special cases, are stopped from denying. The law, then, not only requires a consideration in the case of a simple contract, but that it should be valuable—*i.e.*, a legal consideration emanating from some injury or inconvenience to the one party, or from some benefit to the other party. A good consideration, *i.e.*, an equitable consideration founded upon mere love, affection, or gratitude, will not support a contract.

559. CONSOLS is an abbreviation of **Consolidated** which is a term used in reference to sundry funds or annuities bearing the same or different rates of interest, which have been severally merged or consolidated into one common capital. Hence 3% Consols, &c.

560. CONSUL. A Government official appointed to reside in some foreign country, to take charge of, facilitate, and extend the commercial affairs of his nation, and generally guard the interests of its subjects residing there. A consul is privileged to charge certain fees for sealing and signing passports, invoices, and other documents which he attests. A **Consular invoice** is one which has been viséd (sighted and signed) by the consul of the country to which goods are being sent. Some foreign Governments demand that invoices of all goods imported there shall be duly attested by their Consul who resides in the district or country from which the goods are exported, the Consul being entitled to make a charge for each document viséd by him.

561. A CONTRACT. An agreement between competent persons upon a legal consideration, to do or abstain from doing some act; or more shortly an agreement enforceable at law. The agreement may be by *parol*, *i.e.*, by word of mouth, or in writing *not* under seal; or, it may be by specialty (*i.e.*, by writing under seal), in which case it is more properly termed a *covenant*. And where a contract is not by specialty, it is called a *parol* or *simple contract*, to distinguish it from a contract by specialty. A simple contract may be either *written* or *verbal*, and must be made upon a *consideration*, in order that an action may be founded upon it. In certain cases, defined by the Statute of Frauds and the Sale of Goods Act, 1893, the contract, or some note or memorandum thereof, must be made in writing and signed by the party to be charged therewith. A debt arising under a contract made by deed under seal is called

a *specialty debt.* Whilst an ordinary or simple contract debt is *barred* after the lapse of *six years*, a specialty debt becomes barred only after *twenty years.*

A **contract** of **sale** may be subject to any **conditions** agreed to by the parties, and on the breach of such conditions an action for damages will lie. Sometimes, however, it happens that although the condition is broken, the other party acquiesces in the breach, he then loses his right to avoid the contract, but may still claim for damages ; as for instance, where a man chartered a vessel on condition that she should carry 1000 tons, and he made use of her, after finding that she could not carry such a cargo, it was held that he had lost his right to avoid the contract. When goods are sold by description, it is an implied condition that they shall answer to their description, and until this condition has been performed, the seller has no right of action against the buyer for non-performance. The **principal conditions** in a contract for sale relate :—(1) to the nature and quality of the goods sold, (2) the price, (3) the delivery, (4) the payment.

(1) **NATURE** and **QUALITY** are generally referred to and determined by the use of the following expressions or terms :—(*a*) **Sample.** A small portion drawn from the bulk of any merchandise, and serving as a specimen for the whole. Business is greatly facilitated by means of samples, especially as regards wines, spirits, teas, hops, wheat, valonia, and other produce, lying at the docks, or in a warehouse, as intending buyers are able to purchase goods from a sample shown them without going specially to inspect the bulk. (*b*) **Type.** A type is a standard sample representing a certain quality or crop, used when corn, rice, coffee, sugar, and other produce is sold "to arrive." The type is taken from the crop in the early part of the season, the year's growth being guaranteed equal to it. In most cases when the produce is found to be inferior to the "type," an allowance, settled by arbitration, is made. (*c*) **Description.** A representation by words, trade marks, or brands, sufficient to distinguish the goods sold, without the production of either "Sample" or "Type." Where a purchase was made of "foreign refined rape oil, warranted only equal to sample," and the oil tendered was equal to sample, but was not "foreign refined rape oil," it was held that the purchaser was not bound to accept it.

(2) **PRICE.** The principal terms with reference to price are :—(*a*) **Loco** merely means that the price quoted is the price of the goods sold at the place where they lie, without including any charges whatever for transit or removal. (*b*) **At Station** means that the price includes *cartage* from the warehouse of the seller, but not railway carriage. (*c*) **On Rail** signifies that the price covers the cost of cartage and loading into the trucks of the Railway Company, but not railway carriage. (*d*) **F.O.B.**—free on board—means that the price of the goods covers the cost thereof, carriage to port, and shipping charges, *i.e.*, the seller puts the goods on board free of all expense to the buyer, who

pays the freight. (*e*) **C. & F.**—cost and freight—means that the price is to cover the cost of the goods, shipping charges and freight, in fact all charges to the destination of the vessel except marine insurance. (*f*) **C.I.F.**—cost, insurance, and freight—means that the price is to cover the cost of the goods, shipping charges, freight, and marine insurance. (*g*) **Franco, Rendu, or Free,** generally means c.i.f., *plus* foreign import duty and carriage to the door of the buyer, *i.e.*, the price includes every possible charge. (*h*) **In Bond** refers to imported goods liable to excise or customs duties, which are deposited in a Government or Bonded Warehouse until the duty upon them has been paid, consequently the price is plus the amount of duty. (*i*) **Duty Paid** therefore means the opposite of the latter, *i.e.*, the price is inclusive of the duty which has been paid by the seller.

(3) **DELIVERY.** The seller is not bound to send or carry the goods to the buyer if he affords the buyer reasonable facilities for taking possession of the goods. (*a*) A **prompt delivery** is where goods, in the absence of anything to the contrary in the contract, may be delivered immediately. (*b*) A **prompt sale** is one where goods are agreed to be sold for delivery and payment on a specified date, known as the *prompt day*. (*c*) **Forward delivery** means that the goods are to be delivered at some future time, for instance, goods ordered in January may be for "March shipment." (*d*) **To arrive** means delivery of the goods on safe arrival of the ship upon which the goods are or shall be shipped. (*e*) **Free overside** is a term used when goods are sold "to arrive." It means that the seller's responsibility ceases as soon as the goods leave the slings overside the ship, and that the buyer must provide his own barge in which to receive the goods. (*f*) **F.a.s.**—free alongside ship—denotes the place of delivery, and that the seller pays all charges upon the goods up to their reaching the ship's side, when the buyer must attend to their being put on board and pay the dues and charges for slinging, &c. (*g*) **Spot** denotes the place where the goods actually are at the moment the sale is effected, and such goods are therefore ready for immediate delivery. (*h*) **Ex-quay** means that the buyer has to take delivery of the goods when landed on the quay. (*i*) **Ex-ship** signifies that the goods are sold free out of the ship, the purchaser providing the means of removal and the vendor's responsibility ceasing as soon as the goods leave the ship's side. (*j*) **Ex-warehouse** means that the purchaser of the goods must provide conveyance from the warehouse door. (*k*) **Shipment** and **sailing** mean that the goods are to be shipped on board the vessel during the month named: "20th August shipment" means that the vessel must sail not later than 20th August. "June—July shipment" means that the vessel must sail any time from 1st June to 31st July.

(4) **PAYMENT.** The following are the usual terms:—(*a*) **Prompt Cash** means payment within two or three days after delivery of the goods, without discount. (*b*) **Cash, Net Cash,** or **Ready Cash** means payment within ten days, without discount.

(*c*) **C.O.D.**—Cash on delivery—denotes that the party who carries the goods must receive the cost thereof before handing them over. (*d*) **2½% for Cash** denotes that 2½% discount will be allowed on the cost of the goods, if payment be made within about a week from date of delivery. (*e*) **5% within a month** means that a discount of 5% will be allowed on the cost of goods, if payment be made within one month from date of delivery. (*f*) **3 mos. net** denotes that payment must be made on or before the expiration of three months from the date of delivery, and that no discount will be allowed. (*g*) **Prompt Cash less 4 mos.** means payment within a day or two less 4 mos. interest at 5% per ann., *e.g.*, on £100 the discount would be £1 13s. 4d. (*h*) **Cash against documents** means that the price of the goods is to be paid on delivery of the shipping documents (B/L. and Marine Insurance Policy). (*i*) **Documents against acceptance**—D/A—means that the shipping documents must *not* be handed over to the buyer until he has *accepted* the B/E. (*j*) **Documents against payment**—D/P—means that the buyer of the goods must *pay* or *honour* the B/E. before he shall be entitled to receive the shipping documents.

562. CONTRACT NOTE. A short statement of the effect of a contract. In and for the purposes of the Stamp Act, 1891, this term means 'the note sent by a broker or agent to his principal (except where such principal is acting as a broker or agent for a principal) advising him of the sale or purchase of any stock or marketable security.'

563. A **CONTRIBUTORY** is a person liable to contribute to the assets of a Company in the event of its being wound up. In all proceedings for determining and in all proceedings prior to the final determination of the persons who are contributories, the term includes any person alleged to be a contributory. So far as a Company limited by shares is concerned, no contribution may be required from any member exceeding the amount, if any, unpaid on the shares in respect of which he is liable as a present or past member.

564. COPYRIGHT is the sole legal right to print or publish anything which belongs to the author or his assigns. Copyright commences from the date of first publication, and the author is deemed to be the first owner of the copyright therein. The duration of copyright is the life of the author and fifty years after his death. A copy of every book should be sent to the British Museum within one month of publication. The only safe way to regard money expended upon the purchase of a copyright is to treat it as the purchase-money of a terminal annuity of very short duration.

565. A CORPORATION is created by an Act of Parliament or by a charter granted by the Crown, and is a legal "person" by itself and continues as a distinct body, irrespective of any changes which may take place amongst the members. Railway companies are incorporated under private Acts of Parliament,

and most trading companies under one of the Companies Acts. In considering an application for a loan, the banker must ascertain if the Corporation has power to borrow, and, if it has power, whether the money to be borrowed will cause the limit of such borrowing powers to be exceeded. In all dealings with a limited company, whether with regard to the borrowing of money, or the charging of the company's property, or the manner in which cheques are drawn, a banker is taken to be acquainted with the memorandum and articles of association of the company, and is affected with notice of all that is contained in those two documents.

566. COST BOOK SYSTEM. The Stannary Laws were passed in 1869 and 1887, for the regulation and management of **mining companies** within the Stannaries (*i.e.*, **Cornwall** and **Devon**). Such companies are frequently formed in accordance with a somewhat curious local custom, on what is known as the Cost Book System. This is a customary form of partnership for working mines in Cornwall and Devon, according to which each partner is at liberty to transfer his shares without the consent of his co-partners. Any partner is at liberty to determine his liability at any time by relinquishing his shares. No fixed capital is necessary, money being called up as it is wanted. The affairs of the partnership are managed by an agent called the *purser*, subject to the control of the partners in their periodical meetings. The purser and any one of the partners are agents for and can bind the whole body in respect of any contract relating to the carrying on of the mine, other than transactions in the way of borrowing money. The accounts are open to the inspection of the partners at the meetings, and the agreement into which the partners have entered, the receipts and expenditure of the mine, the names of the shareholders, their respective accounts with the mine, and the transfers of their shares, are entered in a book or books called the *Cost Book*.

567. COUNCIL BILLS are Bills of Exchange on demand, drawn by the India Council in London (that is the Secretary of State for India) on the Government Treasuries of Calcutta, Madras and Bombay. The Government of India has to pay to the British Government each year, some £18000000 for interest on loans and for the maintenance of the military and civil forces in India. Although the revenues of India are collected at three treasuries in silver, the amount due to us must be paid in gold. The readiest way to convert the silver into gold is by selling drafts for an equivalent amount of rupees payable in India. The Secretary of State for India is advised from Calcutta, Madras and Bombay, that there is a certain amount available for remittance, and thereupon he advertises that he is prepared to receive tenders for so many lacs of remittances or rupees on India. On Wednesday, in each week, the tenders are opened, and, if at the proper rate, accepted. The purchasers of these drafts are generally the

Indian Banks, who have remittances to make to their creditors in India. Therefore an India Council draft is equivalent to so much silver deposited in India. The purchaser of the draft pays gold to the British Government, while the India Treasury on presentment of the draft, pays silver to the holder, who is the creditor of the purchaser. Money may also be transferred by means of **Telegraphic Transfers (T/t's)** which enable a person in London to pay rupees to a house in Calcutta, on any *particular date*, on his paying an equivalent amount in gold to the Bank, calculated at the transfer rate of the day, when the Bank would cable to their Calcutta Branch to pay the nominee the sum required. The following is the weekly report from a financial paper :—

BILLS.

Rate. s. d.	Tendered. R's.	Accepted. R's.	%
1 $3\frac{1}{32}$ ..	20,000 ..	20,000	100
1 $3\frac{15}{16}$ ..	57,00,000 ..	18,10,000	31
1 $3\frac{31}{32}$ ..	4,00,000 ..	---	
1 $3\frac{27}{32}$ ..	20,000 ..	—	
Total ..	61,40,000	18,30,000	

TELEGRAPHIC TRANSFERS.

Rate. s. d.	Tendered. R's.	Accepted. R's.	%
1 $4\frac{1}{16}$ ..	2,00,000 ..	2,00,000	100
1 $4\frac{1}{32}$ ..	1,33,00,000 ..	39,70,000	31
1 4 ..	13,00,000 ..	—	
Total ..	1,48,00,000	41,70,000	

	Tendered.	Accepted.
Grand Total ..	R's.2,09,40,000 ..	R's.60,00,000

The amounts disposed of and rates obtained were as follows :—

	Council Bills		
	R's.	Average.	Minimum.
Calcutta	6,67,000	1/3.937*d.*	$1/3\frac{15}{16}$ 31%
Bombay	6,14,000	1/3.937*d.*	$1/3\frac{15}{16}$ 31%
Madras	5,49,800	1/3.937*d.*	$1/3\frac{15}{16}$ 31%

	Telegraphic Transfer		
	R's.	Average.	Minimum.
Calcutta	28,36,000	1/4.033*d.*	$1/4\frac{1}{32}$ 31%
Bombay	10,16,000	1/4.033*d.*	$1/4\frac{1}{32}$ 31%
Madras	3,18,000	1/4.031*d.*	$1/4\frac{1}{32}$ 31%

From April 1st to May 10th, inclusive, the Council had granted remittances for R's. 3,86,90,125, realising £2,568,799. To the corresponding date of last year R's. 1,25,34,338, realising £783,622 had been disposed of. The amount offered next week will be 60 lacs.

568. COUNTER-SIGN. The signature of a secretary, manager, or other subordinate officer to any writing signed by the principal or superior to vouch for the authenticity of it;

e.g., the order of a Town Council for payment of money out of a 'borough fund' must be signed by three members of the Town Council, and countersigned by the Town Clerk.

569. A CREDIT NOTE (C/N.) which is a statement (in red ink), sent to a person showing the particulars of an amount in respect of which you are crediting him, is generally used when goods are returned, an abatement is being made, or an over-charge rectified.

CREDIT NOTE. 625 Cheapside.
LONDON, 22nd June, 1926.

Messrs. Owen & Dew, Leeds.

Cr. in A/c. with Charles Mee & Co., Ltd.

By Return of Goods invoiced 19th June .....£		9	10

570. DEBENTURE. A Certificate given by the Custom House to the exporter of goods entitling the merchant to receive payment for the **drawback** (excise duties returnable by the authorities on exportation of excisable goods) allowed on the goods being exported.

571. A DEBIT NOTE (D/N.), which is a statement, in the form of an invoice, sent to a debtor, showing the particulars of an amount in respect of which you are debiting him, is used when you discover that he has been undercharged for certain goods, or in the event of an invoice being undercast.

DEBIT NOTE. 625 Cheapside,
LONDON, 30th June, 1926.

Messrs. Owen & Dew, Leeds.

Dr. to Charles Mee & Co., Ltd.

To Undercasting of invoice dated 26th June.....£	1	–	–

572. DEBTOR and CREDITOR. A **Debt** is that which is due from one person to another, whether money, goods, or services and whether payable at present or at a future time; that which one person is bound to pay or perform for another. When a debt becomes due, it is the duty of the debtor to pay it without waiting for any demand. It is in general the duty of the debtor to seek out his creditor for the purpose of paying him. A creditor is not bound to give change to his debtor, whose duty it is to tender the exact amount of his debt in legal

currency (see Legal Tender). The ordinary mode of enforcing a debt, not exceeding £50, is by commencing an action in the County Court; for a larger sum proceedings must be commenced in the High Court, but either party may have the action remitted to the County Court, if the amount does not exceed £100. **Crown Debts** are those due to the Government or Crown in respect of Taxes, &c. The Crown claims priority for its debts over all other creditors, and to recover them by summary process. A **Judgment Debtor** is one to whom directions have been given by a Judgment of the Court to pay a sum of money to another person, known as the *Judgment Creditor*. A **Judgment Creditor** may enforce judgment in various ways:—(1) By writ of *fieri facias*, by which the sheriff can seize the debtor's *goods*. (2) By writ of elegit, by which the sheriff can take possession of the debtor's *lands*. (3) By garnishee order by which debts due to the debtor from a third person, *e.g.*, a banker, can be attached. (4) By a charging order, by which shares or stocks belonging to the debtor can be charged with the payment of the judgment debt. The **Debtors' Act, 1869,** abolishes imprisonment for debt except in case of default of payment of penalties, default by trustees or solicitors, and certain other cases; and provides for committal of debtors in default of payment of judgment debts which the debtor *can but will not pay*, and in certain other cases. It also provides for the punishment of fraudulent debtors.

573. DEFAULT SUMMONS. A procedure in the County Courts for the summary recovery of a debt or liquidated demand. This summons, which the plaintiff may upon filing an affidavit of the debt, cause to be issued instead of the summons in the ordinary form, is personally served on the defendant, and if he did not, within 8 days after service, give notice in writing by post or otherwise to the registrar of the court from which the summons issued, of his intention to defend, the plaintiff may, after 8 days and within 2 months, upon proof of service or of an order for leave to proceed as if personal service had been effected, have judgment entered up for the amount of his claim and costs.

574. DEFUNCT COMPANIES. Where the Registrar of Joint Stock Companies has reasonable cause to believe that a Company is not carrying on business or in operation, he has power, after making inquiry and notifying his intention in the *Gazette*, to strike the name off the Register. If the Company or any Member or Creditor thereof feels aggrieved by the Registrar's action, the Court may, on application, order the name to be restored to the Register, if satisfied that the Company was carrying on business or in operation at the time of the striking off, or otherwise that it is just that the name be restored. The Company will thereupon be deemed to have continued in existence as if its name had not been struck off. Many Companies in default in registering their Annual Returns or other documents have had their names removed from the

Register, although carrying on business, with the result that applications to the Court have been necessary. Before striking a name off the Register the Registrar sends the Company notice by post in order to afford it an opportunity of showing cause why the name should not be removed. The notice is addressed to the Company at its Registered Office, or if no Office has been registered, to the care of some Director or Officer, or, if there is no such person whose address is known, to each of the Subscribers to the Memorandum of Association. The removal of a Company's name from the Register does not relieve Directors, Managing Officers, or Members of any liability they may have incurred, for the Act expressly declares that such liability shall continue and may be enforced after the removal. It is therefore advisable, whenever possible, to wind up Companies in a regular manner by passing the requisite Resolution.

575. DEMURRAGE, A charge of so much per day made by the owners of vessels for their detention beyond a specified time. Legal holidays and Sundays are not charged for. The term is also used for a charge made by railway companies for detaining their horse boxes, waggons, trucks, &c., beyond a given time. **Keelage** refers to the dues or fees paid by a vessel on her entering and resting in certain ports and harbours in the Kingdom. **Lay Days** is a term used in shipping to signify the number of days allowed for loading or unloading ships, as agreed upon by the owners and charterers, or the owners and freighters, as the case may be. The Lay Days commence as soon as the ship has been given permission to load or to discharge.

576. DESIGNS and **MODELS** are treated as an asset, through the opening of a separate account. They are depreciated annually, either by means of a fixed rate on diminishing values, or by re-valuation.

577. DIRECTORS' FEES are the remuneration paid to directors for attending meetings of the Board to transact the business of joint stock companies. The fees are sometimes fixed by the Articles of Association, in which case they are charged to the Profit & Loss A/c. In other cases they are voted by the shareholders as a percentage on the profits, especially as regards the Managing Director, and are then recorded in the Appropriation A/c. Although Income Tax may be deducted from the fees by arrangement, it is more usual for the directors to be personally assessed in respect thereof under Schedule E. The amount of fees prescribed or voted is payable whether profits are earned or not, unless the remuneration is by way of commission upon the profits or expressly declared to be payable only out of profits. On a winding up, the directors may prove against the Company as creditors for their remuneration, unless it be merely a gratuity. Unless expressly authorised, directors are not entitled to be repaid travelling and hotel expenses incurred in attending Board Meetings in addition to their remuneration, nor may

Income Tax on the sums received by them be paid out of the assets.

578. DISTRESS is the legal remedy which consists in the taking of a chattel of the wrong doer by the injured party as a means either of compelling him to give redress or of obtaining satisfaction out of the thing seized. This remedy is principally available (*a*) where a tenant has made default in paying his rent (*b*) where a person liable to pay certain rates and taxes had made default in paying. Also where cattle stray and do damage they may be distrained upon. **Replevin** refers to a personal action to recover possession of goods unlawfully taken (generally applied to the taking of goods distrained for rent), the validity of which taking it is the mode of contesting if the party from whom the goods were taken wishes to have them back, whereas, if he prefers to have damages instead, the validity may be contested by action of trespass or unlawful distress.

579. DIVIDEND (Div.) (1) The share paid to the creditors out of the funds realised from the sale of an insolvent's estate. These dividends are sometimes paid by instalments. For instance, suppose that the whole of the assets of an insolvent cannot be immediately realised, the Trustee or Official Receiver would probably declare a "first dividend of 5/- in the £." and subsequently declare a "second and final dividend of 5/- in the £."

(2) A share of the profits of a Public Company; the interest payable on any portion of the national debt or other stock. "*Ex. Dividend*" is a stock exchange phrase to signify that the price at which a given security is quoted is *exclusive* of dividend. Unless so specified the security in question is "*cum-dividend*," meaning that the interest accrued since the previous distribution is covered by the purchase money. **Shut for dividend** is an expression referring to the closing of the books of Joint Stock Companies for a short period to enable them to prepare and issue dividend warrants. A **dividend warrant** is an order for payment, in the form of a cheque payable on demand, and therefore transferable by endorsement. An **interest warrant** is an order for the payment of a periodical dividend, and is generally sent by post to the holders of registered and other public stocks, as the interest becomes due. **Coupons** are certificates of interest or dividends bearing different dates attached to the foot of transferable bonds and debentures. The word "coupon" means a cutting, and as the dividends fall due the certificates are cut off and paid into the bank for collection just like a cheque. **Unclaimed dividends** on stocks and shares are those not claimed by their owners, and the total amount in respect thereof should appear among the Liabilities in the Balance Sheet. Those on British Government Securities are paid over to the National Debt Commissioners at the end of 10 years, but the liability remains. Corporations and Joint Stock Companies prefer that shareholders should, wherever

possible, sign what is known as a **Dividend Authority,** which authorises the Company to pay any interest or dividends direct into the banking a/c. of the shareholder concerned. The advantages of this method are :—(1) There is no risk of warrants being lost or mislaid ; (2) no endorsement is necessary ; (3) there is a saving of postage ; (4) earlier credit is secured.

Corporations and Companies when **remitting dividends** to stock or shareholders generally do so by means of a combined **Circular** or **Notice** and **Warrant,** perforated across the middle, so that the Warrant may be detached for cashing. The following is a **specimen** of the combined documents :—

The Castner-Kellner Alkali Company, Limited.

INTERIM DIVIDEND NOTICE AND WARRANT. (22)

13, Abchurch Lane, London, E.C.,
28th May, 1910.

Herewith I beg to hand you a Warrant on the Bankers of the Company for Dividend at the rate of £12½ per cent. per annum for the six months ending 31st March, 1910.

On 360 Shares of £1 each	£	12	: 10 : -
Less Income Tax at 1/2 in the £		-	: 14 : 7
	£	11	: 15 : 5

I hereby certify that the Income Tax deducted will be duly paid to the proper official for the receipt of Taxes.

To A. Fieldhouse Esq

By Order,
PERCY S. COURT,
Secretary.

The Castner-Kellner Alkali Company, Limited.

INTERIM DIVIDEND WARRANT FOR THE SIX MONTHS ENDING 31st MARCH, 1910. (22)

No. 357

London, 28th May, 1910.

To Messrs. ROBARTS, LUBBOCK & Co., 15, Lombard Street, London.

Pay A. Fieldhouse Esq or Bearer.

the sum of Eleven Pounds 15/- only

For and on behalf of The Castner-Kellner Alkali Company, Limited,

Director.

Secretary.

£ 11 : 15 : 5.

Signature of Payee Arthur Fieldhouse

580. A DIVIDEND EQUALISATION FUND OR RESERVE is sometimes opened when the profits of any particular year happen to be much larger than usual, a given amount being transferred to such Fund. When the Company has a bad year, this Reserve is drawn upon in order to maintain dividends, thus enabling the Company to declare a normal dividend. The surpluses of prosperous years are thus used to level up the profits of lean years. It is a better policy for a Company to pay a moderate dividend each year, than to pay a very large dividend one year, and the next year a very small one, or, perhaps, none at all. The same result may be attained by a good **carry forward** of undivided profit, without opening a Reserve A/c.

581. DOCK WARRANT. (D.W.) A receipt for goods lodged in public warehouses, showing date of entry, to whom the goods belong, the date rent commences, and such other particulars as are necessary to identify the goods. It requires a 3d. stamp. **Warrants for iron** differ from warrants for other goods in so far that, by the custom of the iron trade, an endorsee obtains the goods free from any vendor's claim for purchase money. Where a bank has taken iron warrants as security, and the original purchaser had not paid for the iron, it was held that the bank was entitled to delivery of the iron. A **Delivery Order (D/O.)** is an unstamped order from the owner of goods lodged at a warehouse, dock, or wharf, instructing the inspector to deliver the goods to the bearer of the order, or the party named thereon by endorsement. Both a D/W. and a D/O. are negotiable instruments; that is, they are documents which by passing from hand to hand, transfer the right to the property referred to therein, and of which they are the title deed.

582. EMBEZZLEMENT is the conversion by a *clerk* or *servant* of any chattel, money, or valuable security delivered to or received, or taken into possession by him for or in the name or on a/c. of his master or employer. **Larceny** is the unlawful taking and carrying away of things personal, with intent to deprive the rightful owner of the same. A person is guilty of felony if he steals, or for any fraudulent purpose, destroys, cancels or obliterates, any cheque, bill, note, certificate, debenture, deed or other security for money or for payment of money. Embezzlement differs from Larceny in this, that in the former the property misappropriated is not at the time in the actual or legal possession of the owner, whilst in the latter it is.

583. ENDORSEE. The person who acquires the right conveyed by any negotiable instrument, B/E, B/L, D/W, D/O, in consequence of its being made over to him by *endorsement.* An **endorser** is one who endorses a bill or other negotiable instrument, and thereby transfers his interest or claim therein by writing his name at the back of such instrument.

584. ERRORS EXCEPTED, or Errors and Omissions Excepted, (**E.E.** and **E. & O.E.**) sometimes written at the foot of invoices, statements, and a/cs., in order to reserve the right of making rectifications at any future date.

585. EXECUTION. (1) The putting in force the sentence of the Law in a judicial proceeding, such as the seizure of goods owned by a person against whom a judgment has been given in a civil Court, for the purpose of satisfying the amount of the judgment by the proceeds of their sale. (2) The signing of a deed or will, or other written instrument, in such a manner as to make it legally valid.

586. The **FINDER OF GOODS** acquires a special property in them, available against all the world, except the true owner; he is bound, however, before appropriating them to his own use, to take all the means in his power to discover the owner. If the property had not been designedly abandoned, and the finder knew who the owner was, or with due exertion could have discovered him, he is held guilty of larceny if he keeps and appropriates the article.

587. A **FIRE A/C.** should be opened for damage to, or loss of, goods or property by fire, the Journal entry being :—

Fire A/c.	Dr.	£5500
To Goods damaged by Fire		£4000
„ Machinery & Plant		1500

If uninsured, the whole amount is written off to the Profit & Loss A/c., but if covered by insurance the compensation received from the Insurance Company must be credited to the Fire A/c. and any balance transferred to the Profit & Loss A/c.

588. A **FIRM OFFER** or **REFUSAL** is one where goods are offered to a merchant at a certain price within a given period, and until he has either refused them or the period has expired, they are not offered to anyone else.

589. A **FOLIO** (**Fol.**) is an opening in a book, or two pages facing each other, both pages having the same number. This word, however, is often employed when speaking of a separate page, particularly when containing a debit and credit side.

590. FORGERY is the fraudulent making or alteration of a writing or seal to the prejudice of another man's right, or of a stamp to the prejudice of the revenue.

591. FRAUDULENT PREFERENCES. Every conveyance or transfer of property or charges thereon made, every payment made, every obligation incurred, and every judicial proceeding taken or suffered by any person unable to pay his debts as they become due from his own moneys, in favour of any creditor, with a view of giving such creditor a preference over other creditors, is fraudulent and void against the trustees in Bankruptcy if the debtor becomes bankrupt within three months.

592. FREIGHT. The amount paid for the hire of a ship, or a charge for carrying or transporting goods or cattle by water. The cargo of a ship. *Dead Freight* is the compensation paid by the freighter of a whole ship for space remaining unoccupied when the cargo is not a full one. When goods are shipped to a port but cannot be delivered there for reasons for which the

shipowner is not responsible, and the master has therefore to bring the goods either back to the port from which they were shipped or to some other suitable place, then the shipowner is entitled to receive from the owner of the goods freight for the carriage of the goods from the port to which they had been shipped, and this is known as *back-freight*. It is not, however, payable where the shipowner knows when he receives the goods that the delivery of them would be illegal.

593. GARNISHEE. A debtor who has received notice *not* to pay money which he owes to a third party, who is indebted to the party giving the notice. A Garnishee Order may be obtained by a judgment creditor against a *garnishee*, attaching any debts due to a judgment debtor. **Attachment** is the seizure of a debtor's property.

594. GAZETTE. The official newspaper of the Government, said to have been first published at Oxford in 1665; on the removal of the Court to London the title was changed to the "*London Gazette.*" It is published on Tuesdays and Fridays and contains all the acts of state, proclamations, and appointments to offices under the Crown; also all orders in Council; and such other Orders, Rules, and Regulations as are directed by Act of Parliament to be published therein; also dissolutions of partnership, notices of proceedings in Bankruptcy, Bills of Sale, Deeds of Assignment. Similar notices appear in the "*Edinburgh Gazette*" for Scotland, and in the "*Dublin Gazette*" for the Irish Free State. The **Mercantile Agencies** of Kemp's, Perry's and Stubbs, all of which give confidential advice and collect debts, also issue to their subscribers, weekly or bi-weekly, a *Gazette*, giving lists and details of Bankruptcy Proceedings, Administration Orders, Bills of Sale, Satisfactions, County Court Judgments, Deeds of Arrangement and Assignments, Dissolutions of Partnerships, Distribution of Assets, Chancery Notices, Warrants of Attorney, Winding-up Notices, &c.

595. GILT-EDGED SECURITIES. A familiar term used to describe stocks on which the interest is as absolutely safe as it is humanly possible for any income-producing investment to be, such as Consols, home municipal corporation stocks, the leading British railway debenture guaranteed and preference stocks, &c.

596. GOODWILL. The value of a business bought as a going concern, over and above the cash price of its marketable assets, such as houses, lands, leases, plant, tools, and stock-in-trade. In a general way, *goodwill* should represent so many years' purchase of the profits of a business—the fewer years the better. Three years is a good general average; so that the *goodwill* of a business returning £10000 per annum net, would be about £30000. Whatever price is paid when a limited company takes over a private business, it is always included among the company's assets, sometimes as a separate item, generally merely in one sum with the rest of the money paid for what may be described as a tangible asset. The study of all

companies ought to be to write this item off out of income as quickly as possible, because it is a burden upon the revenue, and a source of weakness. If anything goes wrong with the company, so that its revenue declines, or if the company fails and has to be wound up, the money paid for *goodwill* is lost.

597. HOLDING OUT. A legal expression indicating the representation by a person that he is a partner in a particular firm. A person who *holds himself out* as being a partner in a specified firm is liable as if he were a partner to any person giving credit to the firm in question upon the strength of such representation.

598. HYPOTHECATION is the giving over of a thing by way of pledge or mortgage; as the giving of documents which convey a right to property—B/E., B/L., B/S., D/W., &c. When property of any kind is hypothecated as security for a debt, the property remains in the hands of the debtor or borrower, and is thus distinguished from a **pawn,** where the property is given into the hands of the creditor or lender. **A Letter of Hypothecation** (**L/H.**), which is prepared in triplicate, like a B/L., gives to the holder of the B/E. a *lien* upon the goods against which the bill is drawn.

599. INCORPORATION. The formation of a legal or political body, with the quality of perpetual existence and succession, except so far as limited by the act of incorporation.

600. An **INDENT** was formerly a foreign order written on a form torn in a zigzag *indented* line from a counterfoil, so as to afford the means of detecting forgery or fraud; but this term now means any order received from a foreign correspondent.

601. An **INFANT** is a person under the age of 21 years. Infancy is no protection against a claim founded upon a tort committed by an infant; but those "under age" are subject to certain disabilities in respect of contracts. They have a qualified power of contracting, but are only bound by such contracts as are for their benefit and advantage. The Infants' Relief Act, 1874, provides:—(1) That all contracts, whether by specialty or simple contract, entered into by infants for the repayment of money lent, or to be lent, or for goods supplied or to be supplied (other than contracts for necessaries), and all accounts stated with infants shall be absolutely void, provided always that this enactment shall not invalidate any contract into which the infant may, by any existing or future statute, or by the rules of common law or equity, enter, except such as now by law are voidable. (2) No action shall be brought whereby to charge any person upon any promise made after full age to pay any debt contracted during infancy, or upon any ratification made after full age of any promise or contract made during infancy, whether there shall, or shall not, be any new consideration for such promise or ratification after full age. It must be noted that an infant can contract for necessaries, viz.:—Such food, clothing, medicine, and lodging as are necessary and suitable to the age, rank, and condition in

life of the infant. It lies upon the plaintiff to prove that the articles supplied were suitable not only to the condition in life of the infant, but also to his actual requirements at the time of sale and delivery.

602. INLAND REVENUE. That portion (by far the largest) of the public revenue which is derived from the taxation of home commodities, and duties on property and income, houses, stamps, probates, legacies, &c., as distinguished from the portion derived by customs duties from imported commodities, such as foreign wine and spirits, tea, &c. **Contraband** is the term used to denote articles in which trade is carried on contrary to the provisions of (*a*) international law and comity (*b*) the revenue laws of a nation. A *Tariff* is a list or table of customs duties imposed upon specified classes of merchandise either on their importation or exportation.

603. An **I.O.U.** is a written acknowledgment of a debt, so called because it commences with those letters, which custom has substituted for the words "I owe you" because they have the same sound. It ordinarily runs thus :

To Mr. Henry Lender, I.O.U. Five Pounds,
John Borrower, 1st January, 1926.

If in the above form, it requires no stamp, being neither receipt, agreement, nor promissory note. If it contains a promise to pay the money it must be stamped as a promissory note, or as an agreement if the subject of which is of the value of £5. It is evidence of an *account stated* (see par. 503) with the creditor, if named : if he is not named, it is primâ facie evidence of an account stated with the person producing it. It is not negotiable.

604. INSOLVENT denotes the state of being unable to satisfy the whole of your creditors in full. Inability to pay twenty shillings in the £. **Solvent** means the opposite. A **Composition** is a payment of so much in the £ by an insolvent debtor in settlement of his debts, in lieu of the whole amount owing.

605. An **INSTRUMENT** is a writing containing some agreement, as a deed, contract, or order, &c. ; so called because it serves to *instruct* one in regard to what has been agreed upon.

606. An **INTERNAL CHECK** is part of a scheme of the organisation of accounts, designed to ensure accuracy of record, detection and rectification of errors, and the prevention of fraud. The principal rules to be observed are :—(1) All cash received to be paid into bank intact every day. All payments, except Petty Cash, to be made by cheque. A Reconciliation Statement to be entered in the Cash Book at the end of each month. (2) Printed and numbered carbon-copy receipts to be given for all cash received. (3) The Petty Cash to be kept on the Imprest System in a tabular book, to be used as a posting medium. Vouchers or receipts to be obtained for all payments. (4) The cashier not to be allowed to post cash into the Ledger. (5) All calculations and additions in the Sales Book to be checked by a

second clerk. (6) All purchases to be made by means of a written order from a printed and numbered counterfoil or carbon-copy Order Book, the Order Number being quoted on all invoices inwards. (7) All purchase invoices to be stamped with a rubber stamp, thus :—Goods Received....., Prices correct....., Extensions checked..... ; and clerks responsible for checking instructed to put their initials in the space provided. (8) The Ledgers to be kept on the self-balancing principle, and the arithmetical accuracy of the postings to be tested by means of the Check Figure System. (9) A Trial Balance to be taken out at least once a month.

607. An **INVENTORY** is a list of articles or goods. The law requires that an inventory shall be attached to certain special documents, and in other cases an inventory is found advantageous for reference or comparison. Thus, an inventory is always attached to a bill of sale, a hire-purchase agreement, a marriage settlement. When a distress is levied, an inventory must always be made of the goods and chattels which are seized. Again, an executor or administrator must always make a complete list or inventory of all the goods, chattels, wares, and merchandise of the deceased person whose estate is entrusted to his care for administration. And lastly, when a furnished house is let, it is the invariable practice for the parties to draw up an inventory in duplicate, so that a settlement may be arrived at when the tenancy terminates.

608. An **INVOICE** (**Inv.**) is a statement setting forth full particulars as to the quantity, quality, and price of goods sold or consigned to a purchaser or factor ; the contents and marks of each parcel, and the charges (if any) upon them. Whether you purchase or sell goods, it is customary and advantageous for an Invoice to pass between the parties, simultaneously with the transmission of the goods. The advantages of an invoice are that on arrival of goods you can compare them with the particulars contained in the invoice ; and should any discrepancy be discovered it can be speedily rectified by communicating the facts to the seller of the goods. A **Pro Forma** invoice is an imaginary one made out *for form's sake*, in order to ascertain what the charges are likely to be ; and also for the use of the Customs authorities when goods are being consigned to some place abroad. Some merchants, when receiving orders to buy certain goods somewhat outside their general line of business, ask for a *pro forma invoice* of the items they are about to purchase, in order to ascertain the current market price of the goods, the manner and cost of packing, the discount, terms of payment, and the approximate cost the order would amount to. **Dating forward** or post dating, is a practice adopted in some businesses of dating the invoice for goods ahead of the date on which the goods are actually sold and delivered, the time for payment being counted from the forward date. For instance, goods sold in November might be invoiced as on 1st January, thus giving the purchaser an extra period of credit.

The usual records must be made on the date of delivery in November, with a note as to the forward date, so that the Statement may be sent at the proper time.

Telegrams : "*Cloth, Huddersfield.*" 907 New Street,
Telephone No. 160. Huddersfield.
28th November, 1925.

Thomas Sykes, Esq., Park Lane, Leeds.

Bought of SILVERWOOD & Co.,
Woollen and Worsted Manufacturers.

Terms : One clear month's credit. Dis. 2½%.

Stock No.	Yards.			£	s.	d.
2834	51 as 50	Black Serge ..... @	1/11	4	15	10
2936	44 „ 32	„ Vicuna	2/2	4	13	2
3004	46 „ 45	Blue Beaver	2/6	5	12	6
4616	59 „ 58	Light Fancy Tweed	2/8	7	14	8
1718	63½ „ 62½	Coarse Cheviot.....	3/–	9	7	6
5108	49 „ 48	Black Worsted.....	3/1	7	8	–
7346	52 „ 51	Woollen Cord	3/4	8	10	–
5110	29 „ 28½	Grey Overcoating	3/6	4	19	9
5111	37 „ 36	Oxford	3/7	6	9	–
			£	59	10	5
		Discount.....	2½%	1	9	9
		Received by cheque £58 – 8. 1stJan.,1926,Silverwood&Co.	£	58	–	8

609. **JETTISON** is the act of deliberately throwing overboard cargo or ship's tackle, to lighten the ship in a storm, or when otherwise in danger. All loss which arises in consequence of extraordinary sacrifices made or expenses incurred for the preservation of the ship and the cargo comes within "General Average," and this must be borne proportionately by all who are interested. **Barratry** signifies any wrongful act, wilfully committed on the part of the master or crew of the ship, with intent to defraud the owner, charterer, or insurer, whether by running away with the ship, sinking her, unlawfully deserting her, or embezzling the cargo.

610. **JOINT** and **SEVERAL LIABILITY.** When two or more persons declare themselves jointly and severally bound, this means that they render themselves liable to a *joint* action against all, as well as to a *separate* action against each, in case the conditions of the bond or agreement be not complied with. The party to whom they are so jointly and severally bound is called a joint and several creditor.

611. LAND TAX is a tax laid upon land and houses and was first imposed in 1698, being made perpetual in 1798, and superseding all the former methods of taxing either property or persons in respect of their property, whether by tenths or fifteenths, &c. Although generally a charge upon a landlord, yet it is a tax neither on landlord nor tenant, but on the **beneficial proprietor**, as distinguished from the mere tenant at rack-rent ; and if a tenant has to any extent a beneficial interest, he becomes liable to the tax, *pro tanto*, and can only charge the residue on his landlord. Houses and buildings appropriated to public purposes are not liable to land tax. The Acts of 1798 passed for raising the usual annual land tax (£1989673 in England and Wales, and £47954 in Scotland) provided for its redemption and first fixed the quota to be paid by each parish in Great Britain, Ireland being exempt. Subject to redemptions the same amount has been subsequently collected in each parish to this day. The more agricultural counties, upon which the burden of the tax has fallen most heavily by reason of the depreciation in value of agricultural land, were greatly relieved by the **Finance Act, 1896,** which fixes the **maximum** at 1/- in the £ in any parish, instead of at 4/-, which former maximum it had reached or approached in more than one agricultural county, such as Norfolk, Essex, Lincolnshire and Suffolk. Subject to certain conditions and adjustments of the assessment, the land tax may be **redeemed** (1) by the single payment of a capital sum equal to 25 times the sum last assessed upon land ; or (2) by the payment of such annual instalments of the aforesaid capital sum as may be agreed upon, subject to interest at 3% per annum on so much of the capital sum as remains unpaid.

612. LEASE. A document setting forth the conditions of a contract for letting lands or buildings for a life, a term of years, or at will, usually in consideration of an annual rent. The party who grants the lease is called the "lessor," and the party to whom the premises are leased, the "lessee." In a/cs. of leasehold property such an amount should be written off each year, in respect of the diminishing value, that the entire value will be exhausted at the expiration of the lease. An easy method of calculating the price that should be paid in order to receive a return of capital by the time of the expiration of the lease, and a fixed rate of interest upon such capital is as follows :—Divide the proposed purchase money (say £720) by the number of the years to run before the lease expires (say 60), this may be taken to represent annual repayment of capital (say £12). Deducting this amount from the net annual rental (say £55) leaves a balance of £43, which is equal to nearly 6% on the purchase money. Leases are usually prepared in duplicate, the lessee receiving the original Lease, signed by the lessor, and the lessor receiving the copy, known as the **counterpart.**

613. A **LEGACY** is a gift of personal estate by will, and may be of three kinds :—(1) Specific (of a definite article), (2) General (a sum of money payable out of the general estate), and (3) Demonstrative (payable primarily out of a specific fund, or, on the latter's failure, out of the general estate). Government duty is payable upon all legacies. The duty is calculated according to a scale of duties imposed according to the nearness of the relationship between the testator and the beneficiary. If the estate is insufficient to pay in full the legacies bequeathed by the will, the legacies are subject to abatement, *i.e.*, they rank *pro rata* for a proportionately smaller sum.

614. **LEGAL EXPENSES** consist of solicitors' charges and court fees in connection with recovery of debts and other actions at law. A separate account must be opened for these expenses, and closed on balancing by transfer to Profit & Loss A/c. The stamp duties and charges incurred in connection with the purchase of real estate may be capitalised, *i.e.*, added to the cost of the property acquired. In the Double A/c. System the costs incurred in promoting special Acts of Parliament should be entered in the Capital A/c.

615. A **LETTER OF CREDIT** (**L/C.**) is a communication addressed by bankers or merchants to their correspondent or agent, either at home or abroad, requesting him, upon the credit of the writers, to advance the bearer a specific or an unlimited sum of money, and debit the amount paid to their a/c. The chief differences between a L/C. and a B/E. are that the former is not an *order*, but a *request* of payment ; that a L/C. needs no acceptance ; is not negotiable ; and cannot be protested for non-payment.

616. **LIABILITIES** denote the whole amount of the debts owing by a person or company, and also any contingencies that might probably arise from financial obligations. Liabilities are the credit balances of the real and personal a/cs. in the Ledger.

Contingent liabilities are those dependent on an uncertain issue, of doubtful occurrence, which may or may not happen. For instance a bill receivable which you have negotiated creates a contingent liability, inasmuch as you *may* be called upon by the owner to pay the contents in the event of the bill being dishonoured by the acceptor. Again, should you become a surety or bond on behalf of a principal, by guaranteeing the repayment of a sum of money, or by indemnifying an employer in respect of any losses occasioned by an employee, you would in the event of the principal failing to fulfil his obligation, become liable for the amount specified. Bankruptcy is sometimes caused by such liabilities becoming immediate.

617. **LIEN.** A right in one man to retain that which is in his possession belonging to another, until certain demands of the person in possession are satisfied. There are *particular* and *general* liens.

Particular liens are those where persons claim to retain a thing for some charge or claim growing out of or connected with the identical thing; as where a dyer has a lien on goods delivered to him to dye, or where a banker has a lien upon securities pledged for the payment of a specific debt; **General** liens are those where things are retained in respect of dealings with a person, such as where a hotel-keeper retains the baggage of a guest until the payment of the bill; or where a banker retains securities in respect of the general balance of his customer's account; or where a solicitor withholds his client's title deeds until his charges are paid. A **Letter of Lien** is sometimes given by a debtor to a banker, as security for an advance upon goods in the hands of a third party. The letter should empower the banker to sell, in default of payment of the debt.

618. **"LIMITED"** is required to be the last word in the name of a Limited Company, unless it has been registered as an "Association Not for Profit" under the Licence of the Board of Trade. It is also required by The Industrial and Provident Societies Act, 1893, to be the last word in the name of every Society registered under that Act. Any person trading under a name of which "Limited" is the last word will, unless duly incorporated with limited liability or registered under the Industrial and Provident Societies Act, be liable to a penalty not exceeding £5 a day for every day on which that name has been used by him.

619 **LIQUIDATED DAMAGES** is the ascertained amount, expressed in a contract to be recoverable by an injured party, in case of non-performance thereof. On the other hand, the amount recoverable in the case of a **penalty** is not the sum named, but the damage actually incurred. The whole distinction between the two lies in the construction of the particular contract, and in construing the terms thereof the Court will not accept the phraseology of the parties as conclusive, but will enquire into the real nature of the transaction in order to see whether the sum fixed is to be treated as ascertained damages, or as a penalty to be held *in terrorem* over the defaulter. In the latter case, in spite of the stipulation, the Court will require actual proof of the loss.

620. **LIQUIDATION.** The winding-up or closing-up of a business or company by a person called a Liquidator, who collects all the assets and discharges all the liabilities. Such a firm or company is said to be "In Liquidation," the cause of which is generally insolvency. In a voluntary winding-up of a Joint Stock Company one or more Liquidators must be appointed at a General Meeting for the purpose of winding up the affairs. Immediately upon his appointment all the powers of the Directors cease, except so far as the Company in General Meeting, or the Liquidator, sanctions the continuance thereof, Within seven days after his appointment a Liquidator must

send notices to all the Creditors convening a Meeting, to be held on a date not being less than fourteen nor more than twenty-one days after his appointment. He must also advertise the notice of the meeting in the London, Edinburgh, or Dublin Gazette, according to whether the Company was registered in England, Scotland, or Ireland, and once at least in two local newspapers. The Liquidator must apply the funds—First, in paying the costs of the liquidation, including his own remuneration; Secondly, in paying the debts having priority in law; Thirdly, discharging the ordinary debts; and Fourthly, in distributing any balance among the contributories.

THE BRITISH STEAMSHIP COMPANY, LTD., in Liquidation.

Liquidator's Summary of Accounts.

Receipts.	£	s.	Payments.	£	s.
Proceeds of Property realized :—			Expenses of Liquidation :—		
			Law Costs	205	16
S.S. British	10055	12	Liquidator's Fee and Disbursements	315	–
Stores and Materials	219	14	Insurance	2	–
Sundry Debtors	539	13	General Expenses	49	15
Sundry Assets	22	–	Debentures repaid in full	3000	–
			Interest thereon	78	10
			Unsecured Creditors paid in full	1285	18
			Capital returned to Shareholders :—		
			Preference Shares, Capital repaid in full	5000	–
			Ordinary Shares, return of 10s. per Share on 1800 Ordinary Shares of £10 each	900	
	£10836	19		£10836	19

621. LLOYDS is the title given to a set of subscription rooms at the Royal Exchange used by underwriters for the transaction of their business. It is the centre point in the metropolis for **marine** insurance business; and every species of intelligence relating to shipping is transmitted there from its agents in all parts of the Globe, thus affording considerable advantages to the maritime interests of the country. **Lloyds' Register** published annually to merchants and others, furnishes valuable and reliable information respecting ships and their classification. It contains particulars of the tonnage, age, build, nationality, character, and condition, &c., of every ship where owners comply with Lloyds' rules. The register contains particulars of all British vessels of 100 tons burden and upwards. The mark A1. denotes vessels of the highest class, while that marked in red or 90 A1. denotes an inferior vessel; and the marks Æ1., or 80 A1. vessels of the lowest class.

622. LLOYDS' BONDS. A railway company may not borrow in excess of the amount of the borrowing powers conferred upon it by Parliament; it may, however, issue to

contractors for work done a form of bond or obligation which is very much the same thing as a debenture, the contractors being able to dispose of these bonds as if they were debentures. Bonds of this nature are termed *Lloyds' Bonds*, from the name of the counsel who invented them.

623. A **MANIFEST** is a form filled up by the Captain of a ship, and lodged at the Custom House on leaving port, containing a description of his vessel, full particulars of her cargo and crew, and the ports of destination to which she is bound. A **Captain's Protest** is a declaration made by the Captain and crew, upon oath, as to the particular circumstances under which any injury to a ship, or damage to her cargo, has arisen. The protest is generally prepared by and declared before a Notary Public. A **Supercargo** is a person in a vessel who has charge of its cargo and trading transactions. He superintends the sale of the cargo and procures other goods or freight for the return voyage.

624. **MINERAL RIGHTS DUTY**, which is at the rate of 1/- for every 20/- of the **rental value** of all rights to work minerals and of all mineral wayleaves, is levied on the proprietor of the minerals if he is working them himself, and in any other case on the immediate lessor of the working lease. The immediate lessor, who is a lessee and pays rent, is entitled to deduct from his rent the duty paid by him in respect of that amount of rent.

625. **MINUTE BOOK.** Companies are required to keep Minute Books in which records of all proceedings of General Meetings and of the Directors' or Managers' Meetings must be entered. If purporting to be signed by the Chairman of the Meeting at which the proceedings were held or by the Chairman of the next Meeting, Minutes will be evidence of the proceedings, and until the contrary is proved every General Meeting or Meeting of Directors in respect of the proceedings whereof Minutes have been so made is deemed to have been duly held and convened, and all proceedings thereat to have been duly held. It is advisable to keep two books, so that one may contain a record of the proceedings at Directors' Meetings and the other a record of the proceedings at Shareholders' Meetings. Members are usually allowed access to the General Minute Book, but they are not entitled to see the Directors' Minutes. The Secretary should also have a rough Minute Book, into which the notes of the Meetings he attends may be entered. Liquidators of Companies being wound up by the Court must keep Minutes of the proceedings of the various Meetings held, and any Creditor or Contributory may (subject to the control of the Court) either by himself or his agent inspect such books.

626. **MISDEMEANOUR.** A species of crime or offence comprehending all breaches of public law less than felony, as libels, conspiracies, assaults, &c., which are not so atrocious as murder, burglary, arson, &c., which are felonies.

627. MONEY. **Value** may be defined as the general purchasing power of a commodity, while *Price* is such value expressed in relation to money. The **value** of a thing is the amount of other commodities for which that thing can be exchanged; or the worth of that thing measured in the terms of some other thing. **Price** is the consideration which is given under a contract in exchange for the supply of commodities or services. Thus, a **Sale** is defined to be the transfer of the property in a thing for a price. Therefore when goods are exchanged for goods there is no price, and the contract is one of **barter** and *not* of sale. **Money** is a measure of value and a medium of exchange; or that substance, of whatever nature it may be, which is, by common consent, and for the convenience of the community, employed to represent goods in effecting their sale. In civilized countries gold, silver, and bronze coins of a certain weight and fineness are used as money, on account of the scarcity of these metals, their portability, durability, uniformity and easy divisibility. **Currency** is a term applied to the legal medium of exchange of a nation, such as the current coins and notes authorised as legal tender. The **circulating medium** or currency may be of two kinds; (**1**) Metallic or Specie. (**2**) Paper. Metallic currency consists of coins, which are pieces of metal of certain weights and fineness bearing a legal stamp. **Bullion** is gold and silver of varying fineness or purity in the form of bars, dust, groups, and coins. Coined money is of two sorts, which are called respectively standard money and **token money,** the latter consisting of coins which are not intrinsically worth the amount named upon them; *e.g.*, the silver and bronze coins. **Standard money** is that in which the fine metal used is the standard metal of the country and is generally known as the **standard of value,** which has been defined as that coin or basis upon which the currency of any country is measured and regulated. England is a "gold standard" country; Mexico and China are "silver standard" countries; while France has nominally a double or bi-metallic standard, but practically she has a gold standard, only gold being coined. **Sterling** is the name given to standard English money or coin. **Paper-currency** or circulation consists of Bank Notes and similar documents which not only represent money, but which are made legal tender by the Government as being worth in coin the amount named upon them. The efficiency of paper money as a substitute for coins depends on whether the owner can obtain the equivalent in coin whenever he wishes. When paper money can be exchanged for coin to its face value on demand at the Government Bank it is called *Convertible*; for instance, our Bank of England notes are convertible, as they are exchangeable at the Bank into sovereigns on demand to the full amount of their face value. "*Inconvertible*" paper currency is that which cannot be exchanged for coins on demand, but must be accepted as representing its face value. Such a currency is only legal tender for any

amount in transactions between the inhabitants of the particular country adopting it. In questions of exchange with a foreign country inconvertible paper money is always at a discount, that is, it circulates at a varying rate below the value of the coin which it professes to represent. Such a discount is known as **agio** or **premium** which may be defined as the difference of value existing between real and nominal money as shown by the Continental rates of exchange; or the difference of value between specie and paper money in those countries where notes are not exchangeable for gold. Thus it is said, for instance, that *gold is at a premium of* 5% *on paper*, or that *there is an agio of* 5% *on gold*, which means that 105 units in paper money are given for 100 units in gold. **Notes** which have been issued by a bank of issue and are in the hands of the public are said to be in **active circulation,** as distinguished from those which, though printed and complete, are in the possession of the issuing bank. **Legal Tender** means the current coin or medium of payment that may be lawfully offered in payment of a debt. They are :—Gold of the full weight and Treasury Notes to any amount, Silver up to 40/-, Bronze up to 1/-, and Bank of England Notes up to any amount in England and Wales, except at and by the Bank of England and its branches, but no one can be compelled to give change for such notes except the Bank itself. A tender must be absolute and unconditional, and the money must be actually produced at the time of tender. **Soft Money** is an expression sometimes applied to bank notes in contradistinction to coins or "hard cash." The slang term **Smasher** is used with reference to the person who puts bad money into circulation. However vigilant a cashier may be, false coins occasionally pass undetected. As these cannot be re issued, the amount must therefore be written off by entering on the credit side of the Cash Book "By Bad Money, 2/6," for which an account must be opened in the Ledger, and closed at the period of balancing by transfer to the debit side of the Profit & Loss A/c. The word **Bi-Metallism** is used to describe the employment of two metals, to form at the same time, in combination with each other, the standard of value. A bi-metallic system of currency to be completely effective must, in the view of those who advocate it, include two essentials; (*a*) An open mint ready to coin any quantity of either gold or silver, which may be brought to it. (*b*) The right on the part of a debtor to discharge his liabilities, at his option, in either of the two metals, at a ratio fixed by law. The term **Mono-Metallism** is applied to designate a monetary system in which the standard of value consists of one metal, whether silver or gold. **Moneys of Account** are the denominations or divisions of money in which accounts are kept. They may or may not correspond with coins in circulation, *e.g.*, the moneys of a/c. of England are £ s. d., while in the case of France they are francs and cents. The **Latin Union** is the monetary union organised in 1865 between France, Belgium, Greece, Italy, and Switzerland, in all of which countries the amount in francs, &c., are converted

as 25=£1. Austria, Spain, Serbia, Roumania, Bulgaria, Finland, and the Central and South American States have adopted the system, but without joining the Union.

628. The **MONEY MARKET** is not a particular place or building where money is bought or sold, but is merely a term embracing the Bank of England, London bankers and bill brokers, the Stock Exchange, and dealers in money and credit who have either money to lend or who want to borrow money. The bankers collect money from all over the country, and such surplus as is not required for current purposes is lent on the market for various periods, and all the operations between the bankers, brokers, and discount houses constitute the business of the money market. If there is a large supply of money and the demand for loans is small the rates charged will be low, but if, on the other hand, the supply is small and the demand large, the rates will be high. The money market is often referred to as "Lombard Street." Cheap money is that which can be borrowed at a low rate of interest. Money is called "dear" when, owing to its scarcity, it can be borrowed only at a high rate.

629. A **MORATORIUM** is an extension of time which is sometimes granted by the Government of a country for the payment of debts. The circumstances under which a moratorium is allowed are always of a very exceptional nature. In consequence of the great floods in Paris in January, 1910, many traders suffered severely, and the French Government suspended the law regarding the protest of commercial bills, and enacted that bills falling due between January 26th and February 15th were not to be protested for non-payment until after a delay of twenty days. The respite was granted to the various departments which were affected by the floods. During the Franco-German war the French Government extended the date of payment of bills in Paris for three months. During the great European War in 1914, the British Government proclaimed a general Moratorium on the 2nd August, which was varied from time to time, and ended on 4th November.

630. A **NAKED DEBENTURE** is one that is a mere acknowledgment of a debt and which is not secured by a mortgage or charge upon the company's property in any way.

631. The **NATIONAL DEBT** dates from the reign of William III, who borrowed money to carry on a war with France. It now consists of two parts, funded and unfunded, and the terminable annuities. The **Funded** or permanent part of the National Debt is that which the Government is under no obligation to repay at any particular time. It is represented by Consols and the debts due to the Banks of England and Ireland. **Terminable Annuities,** which are part of the Funded Debt, are granted by the Government for a term of years, on present payment of a fixed sum of money. The **Unfunded** or **Floating** Debt consists of money borrowed for short periods by the Government to be paid at certain fixed dates, and is principally represented by Exchequer Bonds and Treasury Bills.

632. A **NEGOTIABLE** document or instrument of credit is one which, in its transfer from one person to another, conveys to and vests in the holder a legal right to the money or property which the document is issued for, or which it represents. The characteristics of negotiable instruments are :—(1) The property in them, and not merely the possession, passes by delivery. (2) The holder in due course is not prejudiced by any defects of title on the part of the transferor or any previous holder, even though such prior party may have stolen the document. (3) The holder can sue upon them in his own name. If the holder's title can be made good through theft, the document is a negotiable one ; if not, it is not negotiable. Negotiability does not attach itself to every instrument, but only to those which have obtained it either by mercantile custom or statute ; Bank Notes, B/E., P/N., Cheques, Treasury Bills, East Indian Bonds, Circular Notes, Dividend Warrants, Bearer Debentures, and certain Scrip and Bonds are negotiable. The term " Not Negotiable " has no statutory signification whatever on any document except as part of the crossing of a cheque.

633. A **PACKAGES A/c.** should always be opened for canvas, bags, boxes, cases, crates, barrels, metal or glass containers, etc., being debited with the opening stock and with all purchases of packages. When the packages are included in the price of the goods and therefore not returnable the Packages A/c. will be closed by entering the stock on the credit side, and transferring the balance to the Trading A/c. When the packages are returnable they should be charged on the invoice and debited to the various personal a/cs., a separate column being utilised in the Sales Book for entering the value of the packages. When the empties are returned a record should be made in the Empties Returns Book, the value of the empty being posted to the credit of the customer. The total of the Empties Returns Book must be debited to the Packages A/c. Empties on hand and not returned by customers should be valued at stock-taking at cost price, less reasonable depreciation, this stock being credited to the Packages A/c. and any difference being carried to the Trading A/c. A **Packing Material A/c.** should be opened for paper, cardboard, string, canvas, straw, etc. When balancing, the stock should be credited and the difference, representing the materials used during the period, transferred to the debit of the Trading A/c. When no stock is stated in an examination paper the whole of the expenditure on packing materials should be charged to the Trading A/c.

634. PAR. Equal value. Stocks and shares are said to be **at par** when their respective **market** and nominal or **face values** are the same. When the price of stocks or shares is *higher* than the face value they are said to be **above par** (or at a premium), and when the price quoted is *lower* than the face value they are said to be **below par** (or at a discount). A nominal share of £1 fully paid, if quoted at ¼ premium would

be 25s. per share ; or a nominal share of £1, with 10/- paid up quoted at a ¼ premium, would be 15s., £100 nominal stock, if quoted at 101, would be at a premium of 1.

635. PAWN or **PLEDGE.** The transfer of negotiable instruments or a chattel (movable property) by a debtor, the pledgor, to his creditor, the pledgee, to secure the repayment of a debt. The pledgee has the right of selling the property pledged if the pledgor fails to fulfil his obligations at the appointed time. A pledge is distinguished from a lien which a banker has upon any negotiable instruments that may be in his hands as banker, as the lien gives the banker merely a right to detain the documents until the customer's debt is paid.

636. PATENT is the name for a grant by the Government of a country of a privilege enabling the patentee or his licensees to make, use, exercise and vend the invention, and to restrain any unauthorised person from using or imitating it. The annual fees paid for renewal to the Patent Office, 25 Southampton Buildings, London, W.C.2., should be charged to the P. & L. A/c. The duration of a patent when granted is 16 years, but every patent ceases on failure of the patentee to make the prescribed payments or annual instalments, unless he can show that the default arose through an accident or mistake. Depreciation should be charged periodically, having due regard to the date of the expiration of the Patent. Suppose an engineer purchases a Patent for £1600, and anticipates that full benefits will be enjoyed during the whole 16 years, he can spread the depreciation over that period, by writing off, say, £100 per year, thus leaving the debit balance of the Patent A/c. at the end of the first year at £1500. A separate account must be kept in connection with the cost of production and sales, so as to show the Gross Profit on the Patent. The following are simple illustrations of a Patent A/c. and the Trading A/c. for one year :—

Dr. **Patent A/c.** **Cr.**

1926.		£	1926.		£
Jan. 1	To Cost of Patent	1600	Dec. 31	By Depreciation .	100
				„ *Balance ...c/d*	1500
		£1600			£1600
Feb. 1	To Balance ..b/d	1500			

Dr. **Trading A/c. of Patent for the year 1926.** **Cr.**

	£		£
To Cost of Production ...	1000	By Sales	1600
„ Depreciation	100		
„ GROSS PROFIT ...	500		
	£1600		£1600

637. PERCENTAGE is a sum or number signifying a ratio to "one hundred." It is frequently convenient for purposes of comparison to reduce to a common basis the various items contained in a given financial or accounting statement, and the basis taken is usually "one hundred." In the case of a Trading and Profit and Loss A/c., it is customary, in reducing the accounts to a percentage form for the purposes of comparison, to take the amount of the sales or turnover as representing "one hundred," and to work out the relation to the sales of all the other items contained in the statement upon this basis. Every item thus becomes resolved into its proportionate expression "per hundred pounds of sales," and it is frequently found that a statement expressed in this way presents for purposes of comparison of cost a clearer view of the results attained than a Profit and Loss A/c. containing the actual figures. In some cases it may be preferable to take the cost of the goods as the standard of comparison. In colliery accounts the cost per ton of coal won is the basis usually taken.

638. POST-DATING means dating *after* the true time or dating forward; while *Ante-dating* refers to dating *before* the true time, or dating backward.

639. POWER of **ATTORNEY.** A deed granted by one person to another to enable him to act on his behalf. In certain Stock Exchange transactions, special powers are necessary, as follows:—In the case of all stocks inscribed on the books of the Bank of England, the London & Westminster, and other banks, or with the Crown agents for the Colonies, sellers are required to appear in person to transfer their holdings, accompanied by a stockbroker, who can identify them. In cases where it is difficult or costly for sellers to attend, they can apply for a *Power of Attorney.* This deed is drawn up by the transfer agents, and must be signed by the stockbroker in the presence of two witnesses. It is usual to appoint a stockbroker as attorney; other persons acting must be identified by a broker.

640. A **PREFERENTIAL CLAIM** is one that is legally entitled to be satisfied in full (1) as a special preference, in the case of solvency, where the claim is to be paid out of the profits of a business, before a general division of such profits, or (2) as a general preference, in the case of insolvency, where a claim is to be paid out of the assets, before the participation of the claims of other creditors.

641. PREMIUM. (1) An annual payment for insurance against loss by fire, &c., or to assure a certain amount of money being paid on a person attaining a given age, or at death. (2) The excess in quotation over the nominal paid-up amount of any security. (3) A payment to an employer on a pupil becoming articled or apprenticed.

642. A **PRICE CURRENT** (**P.C.**) is a list showing the market price of commodities. These lists are published in the

daily newspapers and also in the various trade journals. Many merchants issue a Price Current to their customers either bi-weekly, weekly, fortnightly, or monthly, showing the articles dealt in, and the current market price of each. Some firms keep blank forms of prices current, the names of the staple articles of their place being printed, the columns for prices being left blank. A **Price List** merely shows the *definite* price of articles offered for sale. These lists are chiefly issued by retail drapers, grocers, &c., in the form of newspaper advertisements and handbills.

643. PRIMAGE. This was originally a gratuity or allowance given by the shippers to the captain of a ship for his care and trouble in loading and taking charge of the goods while on board. It is now an additional percentage to the freight for the use of cable and ropes in loading and unloading cargo. The rate varies according to the customs of the various ports.

644. PRINCIPAL. A responsible person for whom an agent buys, sells, or transacts other business; also a partner or head of a business house. The word "principal" is also applied to money lent out at interest.

645. PROFITEERING is the taking of profits which offend the common conscience of the community. Profits should always bear a reasonable relationship to the capital employed and the turnover of the business. Profits arising from the trade in food and the necessaries of life are principally based on the idea of "small profits and quick returns." While 100% profit on a luxury, such as a diamond ring, would be considered reasonable, so large a profit would be regarded as profiteering in the case of food.

646. PROFITS PRIOR TO INCORPORATION. If a company, incorporated at a given date, purchases a business as a going concern as from a date prior to the date of its incorporation, the proportion of such profits made prior to the date of incorporation are not profits available for distribution as dividend to the shareholders. A company cannot make profits prior to the date at which it comes into being, and any such accrued profits therefore which have been bought by it should be written off the purchase price of the goodwill, or placed to a capital reserve account, or be otherwise set aside in such a manner that they do not subsequently become divided among the members of the company.

647. PROMOTER. A man who makes it his business to prepare and launch limited liability companies on the market. He is generally a *shark—i.e.*, one who lays himself out to get as much for his own pocket as he can out of the money subscribed by the public. Often he buys up businesses at a low price and sells them at a high one; often, also, he concocts schemes *ab initio* for the sole purpose of swindling the investing classes; frequently he shelters himself behind other names, so

that he may not be saddled with either liability or responsibility when things go wrong. Company-promoting as a profession is thus one of the most degraded a human being could adopt, although the promoter does not always, or often, pocket all the money laid upon the *capital* of a new company for *promotion* purposes. He has to subsidise the Press—the more heavily the more his career or his company is shady—to pay extensively for advertisements, to divide up with his *pals*, to find qualifications for *dummy* or *guinea-pig* directors; and as he nearly always carries his game to a point beyond the patience or receptive capacity of the public, he often ends by becoming bankrupt.

648. PROPERTY signifies the exclusive right of possessing enjoying and disposing of a thing. The person to whom such right belongs is termed the "*owner*." A **Reversion** is that portion left of an estate after a grant of a particular portion of it (short of the whole estate) has been made by the owner to another person.

649. PROXY. A person appointed, usually by written authority, to vote at any meeting for another person who would have been entitled to vote personally.

650. QUARTER DAYS. *England*: Lady Day, 25 March; Midsummer, 24 June; Michaelmas, 29 Sept.; Christmas, 25 Dec. *Scotland*: Candlemas, 2 Feb.; "Whitsunday," 15 May; Lammas, 1 August; Martinmas, 11 November.

651. QUID PRO QUO (what for what). An equivalent. One thing for another. The mutual consideration and performance of both parties to a contract.

652. QUORUM. The minimum number of persons necessarily present in order that business may be proceeded with, at any Meeting for the dispatch of business. Articles of Association usually determine the quorum of Members necessary for the transaction of business at Meetings of Directors or of the Company. Table A prescribes three Members *personally* present as the quorum for a General Meeting, and provides that, unless the Directors fix some other number, the quorum for a Meeting of Directors is also to be three in cases where there are more than three Directors. If there are only three or less than three, and no quorum has been fixed, all the Directors must be present before any business can be transacted. The presence of a quorum at a Meeting is essential. If the requisite number is not present the Meeting must be adjourned or dissolved, as may be specified by the Articles of Association. Table A provides for the dissolution if the Meeting was convened upon the requisition of Members and a quorum is not present within half-an-hour of the time appointed for the Meeting. If convened by the Directors, the Meeting must stand adjourned to the same day in the next week, and if a quorum is not present at the adjourned Meeting within half-an-hour from the time

appointed the Members present form a quorum. If a quorum is not present at the commencement of the Meeting, all the business transacted is invalid.

653. REAL ESTATE consists of lands (including the buildings thereon), whether of freehold or copyhold tenure; but not leaseholds, however long the term. For revenue purposes, however, leaseholds are liable (if at all) to succession duty, not legacy duty. **Personal Estate** or Property consists of money, goods, leases for years (however long), furniture and other chattels as distinct from real property. **Chose** means a thing. *Choses* are of two kinds—*choses in action* and *choses in possession.* A **Chose in action** is a thing of which a man has not the present enjoyment, but merely a right to recover it (if withheld) by action. Thus money at a bank, or money due on a bond, is a *chose in action.* This may now be assigned by writing, signed by the assignor, absolute in terms and notice in writing being given to the debtor. A **chose in possession** is a thing of which the owner is in the actual enjoyment.

654. REALISED PROFITS are those actually made and existing in the form of cash, as when investments have been sold for more than their book value. Where investments appreciate in value over and above their original cost, the amount of such appreciation is known as *unrealised* or *paper* profits. It is not considered wise for a Company to pay dividends out of unrealised profits.

655. REBATE. Generally an abatement or allowance in price. Strictly, discount returned by a banker on a bill taken up before maturity, or by a banker or bill broker when discounted bills are taken back again, previous to their arriving at maturity, by the parties who placed them under discount. An **Abatement** is a deduction from a quoted price or value.

656. RECEIPT (Rect.) A written acknowledgment of something having been received. A receipt for money when the amount is for £2 and upwards, requires a twopenny stamp, which, if adhesive, must be cancelled by being written across, the cost of the stamp being borne by the receiver. No stamp is required for receipts of wages, salaries, pensions or superannuation allowances, Government taxes, or payments into a bank. A receipt should, at least, state the date, the name of the payer, the amount, what the payment is for, and the signature of the receiver, as below. A receipt written either on the front or the back of a stamped cheque requires a receipt stamp; either a two-penny or two penny stamps. A **Voucher** is any book, document, or writing in proof of the payment or receipt of money; or which in any way serves to attest the truth or correctness of accounts, or any other monetary transactions. As far as possible Petty Cash payments should be initialled in the P.C. Book by the person receiving the cash; and payments by the cashier to his principals should be initialled in the C.B.

5 Dock Street, Leeds, 28th December, 1926.
GRAY'S ESTATE.

Received from Mr. George Terry the sum of Twenty Eight Pounds Ten Shillings, being one half-year's rent due to the Trustees of John Gray, deceased, at Christmas last.

Cash.... £27 16 –
Tax .... – 14 –
£28 10 –

HENRY HORN
For Self and Co-Trustees.

Receipt a Statement thus :—

Received payment by cheque, £95 8 10.

5th July, 1926.
CHARLES MEE & Co., LTD.
JOHN DAY, Secretary.

657. A RECONCILIATION STATEMENT is one that is sometimes made out for the purpose of adjusting or testing the accuracy of certain a/cs., such as a Rental, with the Rental of the previous year or the contents of the Cash Box with the Balance of the Cash Book (see par. 87) ; or the Bank Column of a Cash Book with the Pass Book (see par. 93).

658. REGISTERED OFFICE. Every Company is required to have a Registered Office, to which all communications and notices may be addressed. Notice of the situation of the office should be filed at the time of the incorporation of the Company, and notice has also to be given upon any change of address taking place.

659. The **REGISTRATION** of **BUSINESS NAMES ACT, 1916,** requires registration by every firm having a place of business in the U.K., (*a*) carrying on business under a business name which does **not** consist of the **true surnames** of all partners who are individuals, and the corporate names of all partners who are corporations, without any addition other than the true Christian names of individual partners or initials of such Christian names ; and (*b*) a member of which has **changed his name** (except a woman, on marriage). **Publication** of the partners' true names is required on all trade catalogues, circulars, and business letters on which the business name appears, and which are sent by the firm to any person in H.M. Dominions ; and the nationality of the partners, if not British, also the nationality of origin.

A **registration fee** of 5/- is payable by an adhesive stamp on a Registration Form, which can be obtained from the *Registrar of Business Names, North East Wing, Somerset House, London, W.C.2 ; Exchequer Chambers, Parliament Square, Edinburgh ;* 13 *Wellington Place, Belfast ,* and 19 *Kildare Street, Dublin.* A **Certificate** of Registration will be issued, and must be **exhibited** in a prominent position at the principal place of business of the firm or individual.

660. REMITTANCE. A sum of money sent, transmitted, or remitted from one person to another, whether it be by bullion, coin, note, cheque, B/E., M/O., P/O., or stamps.

661. RENT is a profit issuing out of lands and tenements, either as compensation for possession, or merely as acknowledgment of tenure to the lord. In other words, rent is compensation, or payment, made by the tenant to the owner of the land or premises demised. When there is no written contract the rent is payable on the demised premises, but in the case of a covenant on the part of the tenant to pay rent, it is his duty to seek out the person to whom it is payable. The **Law** presumes that a tenancy is an **annual one,** unless evidence to the contrary is forthcoming ; and a **Notice to Quit** must be so given as to terminate the tenancy upon the anniversary of its commencement.

Cottages and small houses, &c., are frequently let upon weekly, monthly, or quarterly tenancy, and where no written contract exists, the rent-book or form of receipt given, will be evidence of the character of the holding. By the term *monthly tenancy* **a lunar** and not a calendar month is implied. Rent is due in the morning of the day appointed for payment, but it is not in arrear until midnight. It is recoverable by distress upon the premises and during the continuance of the tenancy.

In the case of **agricultural lands,** recovery by distress may not take place in respect of " rent, which became due more than one year before the making of such distress," though a custom by which the collection of rent is deferred will be recognised, and distraint may be legally made for a further sum corresponding with the deferred quarter or half year, as the case may be.

In the case of **bankruptcy,** the landlord's preferential claim for rent is limited to one for *six months only,* prior to the adjudication. Rent falling due after the adjudication of bankruptcy must be paid in full—until the trustee shall disclaim the tenancy.

This limitation of the landlord's power of distraint does not prevent his due **recovery** of the arrears of rent by action in the High or County **Court.** In tenancies, other than those to which the Agricultural Holdings Acts apply, arrears of rent may be recovered by distress at any time within **six years** after the same shall have become due. A **Rent Roll** is an account or a schedule, or register of rents, or income arising from landed **property.**

There are several kinds of rents, viz. :—

(1) **Rack-Rent** is a rent of the full annual value of the tenement, or near it. In no way does the term imply an exacting or excessive rental, but merely the full market value.

(2) A **Pepper Corn Rent** is merely nominal and not intended to be paid. It is frequently found in the case of building leases, where, during the erection of the premises, in the first year or years of the term, no rent is to be charged.

(3) A **Fee Farm Rent** is a rent-charge issuing out of an estate in fee, of at least one-fourth of the value of the lands at the time of its reservation. The amount of the charge is a fixed one, and is perpetual. It is recoverable by distress and taxes may be deducted.

(4) A **Rent-Charge** may be imposed upon land by deed or will —it forms a *fixed charge* upon the property, and is of the nature of rent, in that in default of payment it is recoverable by distress at any time within 12 years of its becoming due. The owner of the Rent-charge, however, possesses no interest in the reversion of the land—the Rent-charge is his permanently, but nothing more than that, however valuable the property may hereafter become.

(5) A **Ground Rent** is created by the lease of land to a lessee, who contracts to erect houses or other buildings. The agreed term may be 60, 99, or even 999 years, and the rent of the ground is a fixed sum, payable to the superior landlord, *the lessor*, in exactly the same way as an ordinary rack rental is paid. *A freehold ground rent* is one in which the reversion belongs to the freeholder, and a *leasehold ground rent* is one in which the immediately superior landlord is himself a leaseholder. Income Tax at the current rate should be deducted in paying ground rent.

(6) A **Chief Rent** is created in much the same way as a ground rent. The chief point of difference between the two lies, however, in the fact that a Chief Rent is perpetual, and the creator of it reserves no reversion. It is therefore of the nature of a Rent-Charge.

(7) A **Quit** or **Free Rent** is an annual payment made to a lord in respect of copyhold or freehold tenements in his manor. As a rule it is merely a nominal amount, owing to the great difference in the present value in money compared with that of the time when the rent was created. The name signifies that the tenant thereby goes quit and free of all other services. The Quit Rent payable by a freeholder of a manor is often termed *Chief Rent*; and both come under the designation of *Rents of Assize*. They are recoverable by distress, but become *statute barred* after a lapse of 12 years.

(8) Rents payable in connection with **mining operations** are dealt with on page 499, under Royalty A/cs.

662. RUMMAGE SALE. When goods, either from their condition or from the length of time they have remained on hand, bear charges out of proportion to their value, the dock authority,

in whose custody they are, gives notice to the proprietor that unless the charges are paid within a specified time the goods will be included in the next Sale. These Rummage Sales are usually public, the conditions being published in the catalogue, which can be obtained for a small sum. When goods are sold on account of charges, the charges accrue to the date of sale prompt, unless goods are delivered prior to that date, when charges are leviable to the date of delivery only. When goods are abandoned by the proprietors, charges are collected to the date of abandonment.

663. RUPEE. The unit value and the standard silver coin of British India, weighing 180 grains, eleven-twelfths fine. The exchange value of the rupee is about 1s. 4d., but its intrinsic value, in consequence of the fall in the price of silver, is much less. The symbol "Rx." denotes 10 rupees. Large sums of rupees are expressed in lacs. (100000) and crores (100 lacs). For any sum above 100000 rupees (1 lac.) a different mode of decimal notation is adopted: thus, 135000 rupees would be punctuated, 1,35,000 which would be read 1 lac or

c.	lats.	Rs.	a.	p.

lakh, 35,000 rupees; while 9, 15, 16,500 .. 9 .. 8 would be read as 9 crores, 15 lacs, 16,500 rupees, 9 annas, and 8 pies.

664. The **SALE OF GOODS ACT,** 1893, section 4, enacts that no contract for the sale of any goods for the price of £10 and upwards shall be enforceable at law, except the buyer shall accept part of the goods so sold, and actually receives same, or give something in earnest to bind the bargain, or in part payment, or that some note or memorandum in writing of the said bargain be made and signed by the party to be charged or his agent, in that behalf. It is therefore essential that orders should be obtained in writing. **Earnest** is the sum paid by the buyer of goods in order to bind the seller to the terms of the agreement.

665. SALVAGE. An allowance or compensation made to those by whose exertions ships or goods have been saved from the dangers of the sea, fire, pirates, or enemies. The term is also applied to the goods and other property saved. A **Derelict** is a ship that has been abandoned at sea.

666. SCRIP. A contraction of the word subscription, applied to the receipt or certificate given for shares or instalments thereof in some public company, or an a/c. of a Government loan, pending the delivery of a share certificate. These documents are exchanged for the proper share certificates, in the case of fully paid up shares, as soon as the company is floated, and other cases on completion of the payment of all the calls.

667. SEAL. Every Limited Company is required to possess a Common Seal having its name *engraven in legible characters* thereon. A rubber stamp should not be used as a Seal, as the

name is not *engraven* thereon. In order that the Seal may not be used without authority, and may also be free from dust and observation, it is usual and advisable to keep it in a strong box fitted with two locks, the keys of which should be kept by two Directors. Any Director, Manager, or Officer who uses or authorises the use of any Seal whereon the name of the Company is not so engraven renders himself liable to a fine not exceeding £50. A Company transacting business in foreign countries, may if authorised by its Articles, have an Official Seal for use out of the United Kingdom. Such a Seal must be a facsimile of the Common Seal, with the addition on its face of the name of every territory, district, or place where it is to be used. Any person appointed for the purpose in any place not situate in the United Kingdom, and having the written authority of the Company under its Common Seal, may affix the Official Seal to any deed or other document to which the Company is a party in that place. The date and place of affixing the Seal must be certified in writing on the instrument under the hand of the person using the Seal. A deed or document to which an Official Seal is duly affixed binds the Company as if it were under the Common Seal of the Company. A **Seal Register** should be kept by every Company, recording short details of the documents to which the common seal of the Company has been affixed.

668. SECRETARY. The officer to whom the general management of the affairs of a public department or company is entrusted. The Secretary is one of the principal Officers of a Company, and is wholly or partly responsible for the accuracy of documents filed with the Registrar. He is personally liable if he omits the word *Limited* from a Bill of Exchange, Promissory Note, or order for goods unless the amount is paid by the Company. The Secretary is an agent of the Company, and representations made by him may bind the Company; but if the representations are outside the scope of the Secretary's duty the Company is not responsible. He is, of course, liable if he accepts any secret commission or bribe in contravention of the Prevention of Corruption Act, 1906. He should make himself acquainted with the provisions of the Companies Act—particularly those relating to the registration of documents and the keeping and entering up of Registers, Minute Books, &c. He should exercise care in scrutinising transfers, proxies, and other forms, and familiarise himself with the various details set out in this work relating to the inspection of Registers. The duty of rendering returns under the Income Tax Acts devolves upon him. When required by the Assessor he must deliver a Return containing the names and addresses of persons employed by the Company (including Directors and other Officers) whose remuneration exceeds £160 per annum, with particulars of their salaries and wages, "and by any other fees, bonuses, allowances, or emoluments" paid them, and he must also render accounts as required.

669. SECURITIES are the written or printed documents which secure to a holder his right to any property. They may include certificates of consols, or any other Government or municipal stock; exchequer bills, foreign Government bonds or scrip; railway shares or bonds; and debentures or share certificates of any other companies. As against advances the securities held may also include title deeds of property, mortgages, dock warrants, bills of lading, or any other document of title, and bills of exchange.

670. SEQUESTRATION. A Scotch legal process, closely resembling English Bankruptcy proceedings, by which a law officer investigates an insolvent case, collects all the assets and distributes the amount realised among the creditors.

671. SET-OFF or **Counter Claim.** A cross claim. The right of one party who is bound under a contract towards another to set off a corresponding liability upon the side of that other party as counterbalancing the want of performance of the contract sued upon.

672. SHIP. The property in a British ship is divided into sixty-four equal parts, or shares, any number of which may be held by a particular owner.

673. STATEMENT. An a/c. rendered at certain times usually monthly or quarterly, giving dates and amounts only of each delivery of goods since last settlement, together with any charges; and after deductions for returns, payments on a/c., allowances, &c., showing amounts due at date of statement. It is really a demand for payment.

625 Cheapside,

LONDON, 30*th June*, 1926.

Messrs. Owen & Dew, Leeds.

Dr. to Charles Mee & Co., Ltd.

1926		£	s.	d.	£	s.	d.
April 1	To Balance brought forward ..				69	7	6
„ 4	„ Goods	17	16	3			
„ 7	„ do.	36	4	9			
„ 19	„ do.	42	8	4			
„ 30	„ do.	5	19	6			
May 7	„ do.	19	7	2			
„ 15	„ do.	7	4	5			
„ 28	„ do.	26	19	11			
June 9	„ do.	13	4	2			
„ 19	„ do.	2	9	10			
„ 25	„ do.	16	18	9			
„ 28	„ do.	46	9	2			
„ 30	„ do.	17	16	9			
„ „	„ Undercasting, 25th June ..	1	–	–			
					253	19	–
					323	6	6
May22	By Cash	171	16	4			
June 2	„ do.	53	11	6			
„ 2	„ Returns	2	9	10			
					227	17	8
				£	95	8	10

674. A **SPECULATION** is a transaction where a person buys a security, not with the intention of paying for it at the settling day, but of selling it again during the present, or a continued account, in order to secure a profit, if possible. If a security is bought in order to be retained, it is called an *investment*. When a speculative security is bought and paid for with the intention to sell as soon as a favourable opportunity offers, it is probably more accurately described as an investment in a speculative security, than a pure speculation where the purchaser has no intention, and perhaps no means, to pay for it.

675. STAMP DUTY. A tax imposed for revenue purposes, on bills of exchange, bank notes, cheques, licenses, deeds, and documents of every description (except wills and I.O.U.'s) receipts for £2 and over, playing cards, &c. The term *ad valorem*, meaning according to the value and not to the number, weight or measure, is used in commerce principally with reference to the **ad valorem** custom and stamp duties, which are levied by the Customs and Inland Revenue Departments of the Government on goods and documents at certain rates *per cent.* on their value.

676. STATUTES OF LIMITATIONS. The enactments fixing the periods within which rights must be established and debts recovered. The periods of limitations vary from 14 days to 60 years from the cause of action according to the subject of litigation. A common debt is *Statute barred* after a lapse of six years, unless a promise to pay or an unqualified acknowledgment in writing has been made by the debtor, in which case the debt is revived. The following are the periods fixed by the principal Statutes of Limitation.

PROCEEDING.	PERIOD.
Award, action of debt upon, where the submission was not by specialty	6 years.
Award, etc., if submission be specialty	20 years.
Bill of Exchange, or Promissory Note, payable at a certain period after date	Within 6 years after it falls due.
Copyright, action for infringement of	3 years after infringement.
Crown, the, suits by, relating to land	60 years next before suit or claim.
Debt (if not on specialty)	6 years.
Debt on Specialty	20 years.
Distress for rent-charge	12 years.
Distress for other rents	6 years.
Land, right of entry for the recovery of	12 years.
Legacies	20 years.
Libels	6 years.
Mistake, equitable relief from	6 years after its discovery.
Mortgage, money secured by, recovery of	12 years.
Real property, action to recover	12 years after right accrued.
Rent, by lease by deed	20 years.
Rent, ordinary	6 years.
Replevin	6 years.
Trespass	6 years.

677. STOCKS. A term applied to the sums of money invested by private individuals in the national debts of any country, properly called the "funds"; also the separate credits warranted by the governments, municipal corporations, trading companies, or other corporate bodies, paying a fixed annual rate of interest for the loan. **Guaranteed** stocks are those upon which the interest is guaranteed by a Government or company. For instance, the Government of India has guaranteed a fixed percentage on the stocks of many of the Indian railroads. **Inscribed** stock is that for which no actual certificates are granted to the holders, but their names and the amount of stock they hold are entered or inscribed in a Register kept for the purpose, either at the Bank of England, the office of the Crown Agents for the Colonies, or some other Bank where the stock was issued. Such stock can only be transferred by the holder (or his representative by Power of Attorney) signing the Register that he has assigned his right to some other person, and, consequently, they are considered one of the safest forms of security against fraud it is possible to deal in.

678. STOPPAGE IN TRANSITU. The stoppage of goods in course of their transit from one place to another. An unpaid vendor or consignor of goods has power to stop them in transit and prevent their delivery, if, since they have left his establishment, the vendee or consignee has become insolvent.

679. SUBROGATION. If a banker lends money to a company, which has no power to borrow, he cannot recover from the company, but the banker has the right of subrogation; that is, he is entitled to occupy the position of such creditors of the company as were paid out of the money he advanced to the company and to recover from the company the debts of the creditors so paid. Where a guarantor repays the full debt due to the banker on the account for which he is surety, he is subrogated to the rights of the banker—that is, he is thereby entitled to the banker's right to sue the debtor, or to claim upon his estate, and to the benefit of any securities which the banker held.

680. SURETY or **GUARANTOR.** A bondsman; one who undertakes to answer for the liability or performance of a duty for which another (called the principal debtor) is responsible in the event of the default of the latter. (See par. 538.)

681. SUSPENSION OF PAYMENT denotes that a banker or other debtor becomes aware of his insolvency, and consequently of his inability to pay his creditors. A debtor commits an act of bankruptcy if he gives notice to any of his creditors that he has suspended or is about to suspend payment of his debts.

682. TALE QUALE. (T/q.) An expression used in contracts when grain and other produce is sold "to arrive" or "off the coast" by a sample drawn at the port which the ship has touched at. It means that the cargo is held to be the same as the sample submitted, and that the buyer takes the risk of any damage the goods may afterwards sustain.

683. TARE is the weight of a case, bag, box, sack, cask, chest, can, glass, wrapper, or other article wherein goods are packed; hence the word is also used as meaning the allowance, deduction, or abatement made in respect thereof from the gross weight of the package. Tare is calculated in five different ways, viz.:—(1) by **Real** tare, which is found by actually ascertaining the weight of the boxes, sacks, vessels, &c., wherein goods are packed, and deducting it from the gross weight of the parcel; (2) by **Average** tare, where the packages are numerous and of a similar size, when only a few are weighed so as to form an average for the whole; (3) by **Customary** tare, which is an established allowance for the weight of packages on the gross weight of certain goods, fixed by the custom of each particular trade; (4) by **Estimated** tare, which means that the weight of the packages are computed and an estimated allowance agreed upon at the time of sale; (5) by **Super** tare, by granting an additional allowance when packages exceed a certain weight. **Tret** is an old customary allowance of 4lb. on every 104 lbs. on certain articles of merchandise as a compensation to the buyer for wear, damage, or deterioration in transit, or for the dust or sand mixed with any commodity. **Draft** or **Waste** is an allowance or deduction often made on the gross weight of goods in consideration of their being damp, or mixed with dust, rubbish, or other extraneous substance.

684. A **TRADE MARK** is a name, symbol, picture, form of device applied to a trader's goods for the purpose of distinguishing them from the similar goods of other traders, in order that he may secure to himself the profits arising from their reputation for superiority. A trade-mark differs both from a patent and from a copyright in its legal character. While Patent-right and Copyright protect the substance of the articles, the protection in the case of a trade-mark extends only to the device or symbol which is invented and adopted to designate the goods sold. A record of registered trade-marks is kept at the Patent Office, 25 Southampton Buildings, London, W.C.2.

685. A **TRADE UNION** is defined by the Trade Union Amendment Act, 1876, and the Trade Union Act, 1913, as any combination, whether temporary or permanent, the principal objects of which are under its constitution statutory objects, namely, the regulation of the relations existing between workmen and masters, or between workmen and workmen, or between masters and masters, or the imposing of restrictive conditions on the conduct of any trade or business, and also the provision of benefits to members. Registration under the Companies Acts is not permissible, and, if it were in fact obtained, would be ineffective, and the Trade Union would be unable to exercise the powers granted under those Acts. For example, it could not sue. The proper course is to register under The Trade Union Act, 1871. In practice, the Registrar declines to pass the Memorandum of any Company containing powers which appear to be characteristic of a Trade Union. A Trade Union cannot be wound up by the Court under the provisions of the Companies Acts, even if it has been inadvertently registered thereunder.

686. TRANSFER of **SHARES.** Members of a Company are at liberty to transfer shares in any manner provided by the Articles and subject to the restrictions contained therein. The document in which this change is effected is called the *Transfer* and has to bear a stamp proportioned to the amount or market value of the stock or shares transferred. Both buyer and seller must sign the Transfer in the presence, in England, Ireland, and Wales, of one witness ; in Scotland, two witnesses are often necessary. The Transfer is then forwarded to the offices of the Company, whose registrar effects the changes in the books, which act transfers the ownership. This is followed by the issuing of a new Stock or Share Certificate to attest the fact that the purchaser is now the owner of so many shares or of so much stock in the Company. Most Companies charge a *Transfer Fee* of 2/6 when registering a buyer's name.

687. TREASURY BILLS are the Promissory Notes of the Government payable at 3, 6, 9 or 12 months, in respect of borrowings for temporary purposes, and form part of the unfunded debt of the country. When the Government requires to borrow upon Treasury Bills an announcement for tenders appears in the *Gazette* and forms of tender may be obtained from the Bank of England. As the bills do not carry interest, they are tendered for at a discount.

688. TRUE DISCOUNT is the difference in value between a debt due on a given date and the present time. For instance, a B/E. drawn on the first Jan., payable in 3 mos. for £5050, would on the 4th Jan. be worth £5000, if discounted at 4% per ann. True discount, however, is rarely allowed in such transactions. In the above example the discounter would deduct from the principal the *Commercial* or *Banker's* discount of £50 10 –, which is practically interest at 4%.

689. TRUST and **TRUSTEE.** A trust is a contrivance whereby one party holds property, real or personal, for the benefit of another. Such person is called a *trustee*, and the person who benefits by the arrangement is called a *cestui que trust.* A trustee has the right to reimburse himself for out-of-pocket expenses, but he has no right to any remuneration for the performance of his duties unless expressly provided for by the document creating the trust. A **Beneficiary** is one in possession of a benefice ; also a *cestui que trust*, or person having the enjoyment of property, of which a trustee, executor, &c., has the legal possession. The office of **Public Trustee** was created in 1906 and is intended to empower the State, through that Official, to act as Executor or Trustee to any person who may desire the State to act for him in either of these, and other cognate capacities. The Act enables any person to appoint the Public Trustee, by that name or any other sufficient description, executor or trustee of a will, or trustee of a settlement ; or *custodian trustee* of a will or settlement—that is, in this last respect, as trustee to safeguard the capital and safe investment only, leaving the management of the trust to personal trustees.

The advantage of appointing the Public Trustee is that he is perpetual, no expense of appointing new trustees ever arising; he will never leave the country, or become incapacitated; and, more important than all, the removal of the risk of loss from incompetency or dishonesty, the State making good to the estate of which it has charge, wherever a private trustee would be liable, all losses to which the Public Trustee in any way contributes, and which by the exercise of reasonable diligence could be averted. The official address is 24 Kingsway, London, W.C.2.

690. TURNOVER. The total sales of a trader within a given period. In banking, the total of the debits or the total of the credits placed to an a/c. within a given period.

691. ULLAGE. The deficiency from full measure in casks, bottles, or other vessels containing liquids, either through leakage, breakage, evaporation or otherwise.

692. ULTRA VIRES means beyond the powers. The expression is often used in connection with the borrowing powers of a company. If the directors have power, under the memorandum and articles of association, to borrow up to a certain fixed amount, it is of vital importance that a banker, who contemplates a loan to the company, should see that, before granting the loan, the directors are not acting ultra vires, that is, that they are not exceeding or going beyond their powers. The directors are hedged in by the memorandum of association and beyond that hedge they cannot go. Intra Vires means within the powers given in the memorandum.

693. UNDERWRITER (U/w.). A marine insurer so called from his writing or subscribing his name under each policy of insurance, as a guarantee that, in case of loss or damage he will be responsible for the amount subscribed by him. Also one who subscribes to a contract of indemnity against failure to obtain applicants for a specified number of shares or amount of loan. **Underwriting** is the guaranteeing of either the whole or a portion of the Capital of a Public Company before the issue of same is offered to the public, a commission payable either in cash or fully-paid shares, or both, being given to those who guarantee to take up, or find approved subscribers for a given number of shares, in the event of the public not subscribing the full amount required. When the underwriting is completed, the prospectus of the Company is publicly advertised, both by newspaper advertisements, and the issue of prospectuses, and the whole amount subscribed by the public as a result thereof goes in relief of the underwriters. If the public contribute the full number of shares, the underwriter's responsibilities are ended, and he receives the full amount of commission for the risk he has incurred, together with whatever amount he may have deposited in respect of his underwriting contract. If, however, the public do not subscribe the full amount required to complete the issue, then each underwriter is responsible, and may be called upon to take up shares to the extent of the *proportion* of the amount underwritten by him and not taken up by the public.

694. USURY is an exorbitant rate of interest charged by money lenders. Where proceedings are taken by a money lender for the recovery of money lent the Court may, upon evidence, decide that the interest charged in respect of the sum actually lent is excessive, and may relieve the person sued from payment of any sum in excess of the sum adjudged by the Court to be fairly due in respect of principal, interest and charges.

695. VENDU is a colonial phrase signifying a public auction. The place of sale is sometimes called "the Vendue."

696. WAREHOUSING is a system adopted by merchants of storing goods in public warehouses, until sales are effected. A **Warehouse Warrant (W/W.)** is somewhat similar to a D/W., and like the latter is a negotiable instrument. (See par. 581.)

697. WARRANTY. A guarantee or stipulation. In contracts for the sale of goods a warranty is defined as: "An agreement with reference to goods which are the subject of a contract of sale, but collateral to the main purpose of such contract, the breach of which gives rise to a claim for damages, but not a right to reject the goods and treat the contract as repudiated."

698. WATERING. The act of increasing the face value of stock or shares without making any equivalent increase in the value of the assets they represent.

699. WAYLEAVES include all the payments which are made for the privilege of easements over another person's property. As examples one may quote rights of way, water, light and air; encroachments by overhanging eaves or other portion of buildings; telegraph and telephone poles. Such easements are, as a rule, the subjects of agreement between the parties, and a rental either of substantial character or of a more or less nominal amount is payable in respect of them.

700. A **WILL** is a disposition or declaration by which the person making it, known as the *testator*, provides for the distribution or administration of property after his death. It does not take effect until the testator's death, and is always revocable by him. Infants and lunatics are wholly incapable of making Wills, while their disability lasts. No particular form of words is required to make a valid Will, so long as the testator's intention can be ascertained; otherwise, its provisions will fail from uncertainty. A devise or bequest to an attested witness or to his or her wife or husband does not affect the validity of the Will, but the gift is void. The **Attestation** is the formal witnessing of a signature. In the case of a Will, the testator's signature must be made, or acknowledged, by the testator, in the presence of two or more witnesses, present at the same time, each of whom must attest or witness the Will. The following is a simple example of a Will by a married man, bequeathing all his possessions to his wife:—

This is the last Will and Testament of me, Joseph Scott, of 66, Trinity Street, Huddersfield, in the county of York, Accountant, whereby I give, devise, and bequeath all my real and personal

estate and effects whatsoever and wheresoever unto my wife, Mary, absolutely, and I appoint her sole executrix of this my Will. Dated this tenth day of February, one thousand, nine hundred and twenty-six.

Signed by the said Joseph Scott, the testator, in the presence of us, being present at the same time who, at his request, in his presence and in the presence of each other, have hereunto subscribed our names as witnesses. } *Joseph Scott.*

Alfred Johnson, 166, *Trinity Street, Huddersfield, Grocer.*
Thomas Thorp, 16, *Trinity Street, Huddersfield, Secretary.*

Copies of Wills, which have been proved, may be had by writing to the *Record Keeper, Principal Probate Registry, Somerset House, London, W.C.2*, by stating the testator's full name, occupation, last fixed place of abode, and approximate date of death. The minimum fee of 4/6 must be sent by postal order, and should the Will exceed 540 words in length a further charge of 6d. for each extra 90 words will be payable. A copy of a Will may also be obtained at the District Registry at which it has been proved.

701. WINDING UP is the process by which a Limited Company terminates its legal existence. A company cannot be made bankrupt; it must be wound up. Bankruptcy, however, is not always the cause of winding up; there may be other causes; and a perfectly solvent company is sometimes wound up in order to amalgamate with another. There are three methods of winding up:—(1) Compulsory, *i.e.*, by order of the Court, (2) Voluntary, *i.e.*, by the Company itself, (3) Voluntary under supervision of the Court.

702. WINDOW DRESSING is the arranging of a Balance Sheet by a company so as to make a good show.

703. WITHOUT PREJUDICE. A phrase used in negotiations of compromise or offers to settle disputes, in order to guard against any waiver or right should they be ineffectual and go off.

704. YEARS' PURCHASE. The value of property is often indicated as being equal to the rent for a certain number of years. For example, a house with a rental of £50 at 20 years' purchase = £1000. If £1000 is paid for the house, the investment thus yields 5 per cent.

705. YIELD. A statement that a stock or share will yield so much per cent., means that the return to the investor is at that rate on every £100, or part of £100 of capital sunk. For instance, a 4½ per cent. stock at 108 will yield £4 3 4 per cent.

706. The **ZOLLVEREIN,** or Customs League, is the commercial union of the German Empire, Luxemberg, and two Austrian communes for the regulation of a uniform rate of customs duties throughout the various states comprised in the union. All the receipts of the Zollverein are paid into a common exchequer, and distributed *pro rata* of population, among the states included.

Summary of Income Tax Law.

The **STATUTORY** or **GROSS INCOME** of an individual is that derived from all sources and liable to be brought into account and disclosed to the Inland Revenue, whose **financial** year runs from 6th April to the following 5th April, the first instalment of the **tax** being **due** on 1st Jan. and the second instalment on 1st July. The **Form** of **Return** of Income should be filled up by the taxpayer and sent to the Assessor about May. The **Assessment** is posted about October, and the **Demand Note** for the first instalment of tax in December.

The **ASSESSABLE INCOME** is that which is earned by an individual, **minus** one-sixth (not exceeding £250), **plus** the whole of the unearned or investment income. But where either the taxpayer or, in the case of a married man, his wife is 65 years of age, and the total *earned* and *unearned* income does not exceed **£500,** it is all chargeable as earned income, and therefore subject to the deduction of one-sixth.

The **TAXABLE INCOME** of an individual is that upon which tax is charged, and is ascertained by deducting from the assessable income the **statutory abatement of £135** for a single person ; and **£225** for a married couple, also the allowances in respect of children, dependent relatives, or housekeeper, but *not* assurance premiums. The wife's allowance may be increased by nine-tenths of any earned income she has up to a maximum of £45.

The **STANDARD** or **FULL RATE** of **TAX** at present is 4/- in the £. Only 2/- in the £, being half the standard rate, is chargeable on the **first £225** of taxable income, and the full rate of 4/- on the remainder of taxable income, whether earned or unearned.

EXEMPTION from liability for income tax is afforded to every single person whose total income does not exceed **£162** if all **earned;** or **£135** if all unearned ; and to married couples whose total income does not exceed **£270,** if all **earned ;** or **£225** if all unearned.

The **CHILDREN'S** allowance from the assessable income of the taxpayer is **£36** for one child, and **£27** for each additional child, under 16 years of age, or in attendance at school at the commencement of the financial year. But no allowance is made in respect of a child who has, in its own right, an income (excluding scholarships) exceeding £40 a year.

DEPENDENT RELATIVE. An allowance of **£25** is made from the assessable income of the taxpayer in respect of the maintenance of a widowed mother ; or a relative incapacitated by old age or infirmity from maintaining himself, and whose income does not exceed £50 a year. £25 is also allowed in respect of a **daughter** upon whose services the claimant is compelled to depend by reason of old age or infirmity.

HOUSEKEEPER. An allowance of **£60** from the assessable income is made in respect of a resident female relative (or stranger) of a **widower** or **widow.** This allowance is also made to an **unmarried** person who maintains a widowed mother; or other female relative to look after younger brothers or sisters, who are classified as children.

LIFE ASSURANCE PREMIUMS. An allowance of tax is made in respect of premiums, not exceeding **one-sixth** of the total **income** where such premiums do not exceed seven per cent. on each separate policy of the sum assured. This relief is limited to policies securing a capital sum on death, whether in conjunction with any other benefit or not. Only half the standard rate of tax (2/- in the £) is allowed on premiums in respect of policies taken out after 22nd June, 1916. On insurances created before that date half the standard rate of tax (2/-) will be allowed where the total income does not exceed £1000; three-fourths the rate of tax (3/-) where the income does not exceed £2000; and the standard rate (4/-) where the income exceeds £2000.

EXAMPLE showing taxation of the income of a married couple, with three children under 16 years of age. The husband's income from earnings is £400; from investments, £200; and he is insured for £500 at a premium of £20 a year. The wife's income from earnings is £200; from investments, £100; and she is insured for £250 at a premium of £8 a year.

Earned Income, £400 + £200	£600	
Deduct Earned Income Allowance one-sixth	100	
		£500
Unearned or Investment Incomes, £200 + £100		300
Assessable income		£800
Deduct Personal Allowance	£225	
„ Allowance on Wife's earnings	45	
„ 3 Children, £36 + £27 + £27	90	
		360
Taxable income		£440
Tax on £225 @ half standard rate, 2/- in the £	£22 10 –	
„ on £215 @ full standard rate, 4/- in the £	43 – –	
	£65 10 –	
Deduct Assurance premiums, £28 @ 2/- in the £	2 16 –	
Total Tax payable	£62 14 –	
Tax deducted at source on Investment income	60 – –	
Net Tax payable to the Local Collector	£2 14 –	

EXAMPLES of INCOME TAX ASSESSMENTS.

(1). **Single Taxpayer,** *i.e.*, bachelor, spinster, widower, or widow, without dependants.

Unearned or Investment Income, taxed at the source		£500
Deduct Personal Allowance		135
Assessable and **Taxable Income**		£365
Tax on £225 @ 2/– in the £	£22 10 –	
„ „ £140 @ 4/– in the £	28 – –	
Total tax due from Single Taxpayer	£50 10 –	
Tax deducted at source on £500 @ 4/– in the £	100 – –	
Tax repayable to Single Taxpayer	£49 10 –	

(2). **Single Taxpayer,** *i.e.*, bachelor or widower, with charge of 4 children and housekeeper.

Salary		£600
Deduct one-sixth		100
		£500
Investment Income, tax not deducted		100
Assessable income		£600
Deduct Personal allowance	£135	
„ 4 Children, £36+£27+£27+£27	117	
„ Allowance for Housekeeper	60	
		312
Taxable income		£288

Net Tax payable £225 @ 2/–, and £63 @ 4/–, £35 2 –

(3). **Married Taxpayer,** with 2 children, residing in his own house, and insured.

Salary	£360	
Deduct one-sixth	60	
	£300	
£200 5 per cent. War loan, untaxed	10	
Annual value of residence	20	
Interest on Deposit A/c.	5	
Assessable income	£335	
Deduct Personal Allowance £225		
„ 2 children, £36+£27 63		
	288	
Taxable income	£47 @ 2/–	£4 14 –
Deduct tax on Life Assurance Premium of £10, @ 2/–		1 – –
Total tax payable to Local Collector		£3 14 –

(4). **Married Commercial Traveller,** paying his own expenses, wife engaged in business, and maintaining widowed mother.

Salary and commission	£880	
Deduct expenses	250	
		£630
Earnings of wife		150
Net Earnings		£780
Deduct one-sixth		130
		£650
Investment Income taxed at the source		170
Assessable income		£820
Deduct Personal Allowance	£225	
„ Allowance on wife's earnings	45	
„ Allowance for widowed mother	25	295
Taxable income		£525
Tax on £225 @ 2/– in the £	£22 10	–
„ „ £300 @ 4/– in the £	60	– –
	£82 10	–
Tax deducted at source on investment income	34	– –
Balance of tax payable to Local Collector	£48 10	–

(5). **Married professional man,** with 8 children.

Professional Income	£5500	
Deduct maximum relief on earned income	250	£5250
Net assessment of Property, taxed under Sched. A.		700
Net assessment of Farm Profits, taxed under Sched. B.		800
Directors' fees, taxed under Schedule E.		600
Gross Dividends on Investments, taxed at source		1000
Gross Income of Wife, taxed at source		400
Assessable income		£8750
Deduct Personal Allowance	£225	
„ Allowance for 8 children	225	450
Taxable income		£8300
Tax on £225 @ 2/– in the £	£22 10	–
„ „ £8075 @ 4/– in the £	1615	– –
	£1637 10	–
Tax already paid or deducted on £3500	700	– –
Income Tax payable	£937 10	–
Super-Tax payable on £7000	931	5 –
Total tax payable to Collector	£1868 15	–

INCOME TAX.

801. The **INCOME TAX,** which comes under the head of **Inland Revenue** in the fiscal system, is a direct imposition, in the form of poundage, payable upon the **annual value** of **property** and the **annual profits** or **gains** of any profession, trade, employment, or vocation carried on or exercised in the United Kingdom, by any person whatsoever and wheresoever residing, and also on the profits of trades carried on elsewhere than in the United Kingdom, if carried on, actually or constructively, by any person, resident in the United Kingdom. It will thus be seen that a *resident* in the U.K. is taxable on the *whole* of his gains, whether arising in the U.K. or abroad; but a *non-resident* is taxable only on gains arising in the U.K. Tax is also payable on all interest, rents, annuities, pensions, stipends and other annual profits, *except* in respect of wound and disablement pensions, and the income of Churches, Colleges and halls of Universities, Hospitals, Public Schools and Parks, Free Libraries, Almshouses, Literary or Scientific Institutions, *registered* Trade Unions or Friendly Societies, Trustees' Savings Banks, and Industrial and Co-operative Societies; although the latter are assessable under Schedule A for Property Tax. Interest or rents vested in trustees for charitable purposes and applied to charitable purposes are also exempt, but *profits* so applied are not.

802. While on matters of **fact** the decision of the **Commissioners** is **final,** this is not so on a point of **law,** upon which the opinion of the High Court may be required if dissatisfaction be expressed by either party. It must always be borne in mind that the object of Parliament is not so much the person as the *source* of the income itself. In other words, Parliament seeks the tax where the income is *actually produced* or originates, *before* any distribution of profits, and totally regardless of the persons among whom such income is to be distributed, therefore the **profits,** however small, of **Corporations** and **Companies** are taxed at the **higher rate** in their entirety before distribution among

the shareholders. But the profits of Companies are *not* chargeable with Super-Tax, which can only be levied on the incomes of *individuals*. Further, the tax, at the higher rate, is deducted on payment of interest by the mortgagor to his mortgagee ; on payment of rent by the tenant to his landlord or lessee ; on payment of royalties on minerals or patents to the owner or patentee. The general basis of assessment thus being to tax income at its source, the actual payer of the tax has the *right to deduct* the amount from the next payment he may make to the person enjoying the income. In practice this is found the most convenient course to pursue, and the comparatively few cases in which the actual person enjoying the income is entitled to claim exemption or abatement may be dealt with later on.

803. A **Graduated Super-Tax** is charged on incomes exceeding £2000 per annum ; thus, an income of £12500 would be assessed to Income Tax on £225 at 2/-, and £12275 at 4/– in the £ ; and to Super-Tax on £10500 only as follows :—£500 at 9d., £500 at 1/–, £1000 at 1/6, £1000 at 2/3, £1000 at 3/–, £2000 at 3/6, £2000 at 4/–, and £2500 at 4/6. The assessment for the Super-Tax is, generally speaking, based upon the **Total Statutory Income** of the individual taxpayer for the *preceding year*, estimated in the same manner as the total income from all sources is estimated for the purposes of allowances or deductions under the Income Tax Acts. But neither the one-sixth allowance on earned incomes, nor Life Assurance Premiums may be deducted in computing the amount of the taxable income. Wound and disablement **pensions** arising out of war services are *exempt* from Super-Tax, but not long service pensions. **Bonus Shares** distributed to Shareholders are not liable for assessment to Super-Tax. In case of the **death** of a Super-Taxpayer, a part only of the year's tax is payable, proportionate to the period of the year which has elapsed before death. Thus, an assessment of £200 upon a Super-Taxpayer who dies on the 5th October, would be discharged by his executor paying one-half the assessment £100,

804. Notice of **liability** for Super-Tax must be given by the taxpayer before the 30th September in the year of assessment, to the *Office of the Special Commissioners of Income Tax, York House, 23, Kingsway, London, W.C.2*; the penalty for non-compliance being £50.

RATES of SUPER-TAX.

in addition to the Income Tax of 4/– in the £	s.	d.
On each £1 between £2001 and £2500, inclusive	–	9
„ „ £2501 „ £3000, „	1	–
„ „ £3001 „ £4000, „	1	6
„ „ £4001 „ £5000, „	2	3
„ „ £5001 „ £6000, „	3	–
„ „ £6001 „ £8000, „	3	6
„ „ £8001 „ £10000, „	4	–
„ „ £10001 „ £15000, „	4	6
„ „ £15001 „ £20000, „	5	–
„ „ £20001 „ £30000, „	5	6
„ „ £30001 „ above „	6	–

Statement of Statutory Income of Thomas Thorp,
for the year 1924-25, for Super-Tax, 1925-26.

Business Profits; Share of Assessment, 1924-25 D ..		£6300
Net Annual Value of Leasehold Houses Schedule A ...		250
Farming Profits, Schedule B		700
Gross Dividends on Investments		1600
Directors' Fees, Schedule E.....		560
Gross Income of Wife from Investments		420
Income from all sources		£9830
Less Annual Charges—		
Ground Rent	£50	
Interest on Mortgage	150	200
Total Income which determines payment of **Super-Tax**		9630
Less Statutory Allowance		2000
Amount upon which Super-Tax is payable		£7630

805. There are **five schedules** under which income tax is assessed. **SCHEDULE A,** *or Property Tax,* sometimes called the **Landlord's Property Tax,** because it is ultimately borne by the *owner,* relates to incomes, rents, royalties, tithes, profits of manors, fines on renewals of leases, &c., derived from the **ownership** of freehold, leasehold, and copyhold land and buildings. The tax payable in respect of the income from quarries, mines, &c., is assessed under Schedule D, which see. The actual **annual rental** is the basis of the charge, but if in the occupation of the *owner,* then the **poor-rate**

assessment is generally taken as the basis. When a **tenant** bears the **cost** of **repairs** the rent does not represent the full annual value, and an **addition** must be made thereto for the purposes of the gross assessment. For instance, a house rented at £60 per ann., where the tenant bore the cost of repairs, was assessed at £66 per ann. **Deductions** are allowed for Sea Walls, Land Tax, Tithes, Public Drainage Rates, and Tenant's Rates. Deductions are also allowed for **Repairs,** maintenance, insurance and management to the extent of *one-eighth part* of the rental in the case of **lands**(including *farmhouses* let and buildings); and in the case of **houses** *and buildings* (exclusive of farmhouses let) the allowance for repairs, &c., is *one-fourth* of Annual value not exceeding £40; *one-fifth* from £41 to £100; above £100—£20 plus *one-sixth* of the annual value above£100. If the occupier, being only a tenant, pays this tax, he is entitled to, and *must*, deduct the same from the *next* payment of rent to his landlord, otherwise he may lose the right of deduction. In the case of dwelling-houses of a less annual value than £10, and of lands or houses let for a less period than one year, the assessment under Schedule A is to be made on the landlord. Where an **owner** of **farms,** or of **houses** can show that he has expended on replacement, maintenance, repairs, insurance, and management, according to the *average* of the preceding *five years*, more than one-eighth of the annual value of land, and the other allowances, he is entitled to a **repayment** of the amount of duty on the excess. The above Statutory deductions will continue to be made as heretofore, and the additional allowance on the five years average will only be made, by way of *repayment*, on a declaration of the owner proving his expenditure, on Form No. 99 or 99b.

806. The **Assessment books** for **Schedule A** are revised every **five years.** Land and buildings are always assessed in the place where situate, no matter where the owner resides. A property owner should remember that he is entitled to **exemption** from Property Tax if his total income does not exceed **£135** per

annum ; and that he is entitled to the usual statutory **abatement** and **allowances.** Being *unearned* income the tax payable under Schedule A is generally at the higher rate, unless the property forms part of the emolument of any office or employment of profit held by an individual, *e.g.*, the glebe land, tithe, rectory, &c., of a clergyman, in which case it may be regarded as *earned* income.

Example 1. The assessment upon a house at £16 a year, where the landlord pays the rates, would thus be :

Annual Rent	£16
Less Tenant's Rates paid by Landlord	4
Gross Assessment	12
Less Allowance for Repairs, ¼th	3
Net Assessment	£9

Example 2. When the tenant pays the rates, the Assessment is based upon the actual rent payable, thus :

Annual Rent	£16 – –
Less Allowance for Repairs, ¼th	4 – –
Net Assessment	£12 – –

Example 3. Smith owns a farm let at £400 a year, he pays the tithe and land tax and bears the cost of repairs. Four cottages, each of the annual value of £7, are included with the farm. Smith's assessment :

	£ s. d.	£ s. d.
Annual Rental		400 – –
Deductions—Tithe.....	40 – –	
Land Tax.....	3 15 –	
Repairs, one-eighth of £372 (£400 less £28)	46 10 –	
One-fourth of £28.....	7 – –	
		97 5 –
Net assessment in respect of the farm..		302 15 –
If Smith (married) has no other income he will be allowed an abatement of		225 – –
And tax will be charged at 2/- in the £ upon		£77 15 –

807. Allowance is made to the owner for **unoccupied** property, or abatements from the rent, at the time of

the payment of the tax to the collector. Form 146A must be filled up stating the details of the abatements, and the period for which the property has been empty. When the tenant has paid the tax in full, and deducted it from the rent, that portion of the tax may be **reclaimed** by the landlord in respect of which he has suffered any abatement or loss.

808. Charges on Income from Property should always be entered in the Form of Return by the taxpayer, otherwise he would be liable for Super-Tax by an omission which carries his Income over £2000. For instance, suppose the gross income is £2200, and the payments in respect of Ground Rent, Interest, Royalties, etc., total to £300, the net income of the taxpayer is therefore only £1900, and he is exempt from Super-Tax. Omission to enter these charges on the Form would have resulted in an assessment for Super-Tax on £200, at 9d. in the £.–£7 10/–.

809. Ground Rent payable by the lessee to the lessor, usually half-yearly, in respect of leasehold property, is always subject to deduction of the full **standard rate of tax. Mining** and other **Royalties** issuing out of land, as well as **Patent Royalties,** are also taxable by deduction at the standard rate, but Literary Royalties, being *earned* income, are not taxable by deduction, but are personally chargeable against the author under Schedule D, and subject to average. A taxpayer deducting tax on the payment of Ground Rent, Mining or Patent Royalties, should enter the *gross* amount of the rent and royalties in the space provided for *Charges on Income* in the Return.

810. Interest on Mortgage, whether paid to a private individual, a public body, or Building Society, should also be entered under *Charges on Income.* When paying interest on mortgage to a private mortgagee, or a public company, the mortgagor must deduct therefrom the **standard rate of tax.** In the case of interest payable to a **Bank** in respect of a loan secured on property, the mortgagor *cannot* deduct the tax, nevertheless the mortgagor must include such interest

in *Charges on Income.* In support of this he must secure from the bankers a **Certificate,** No. 40 a, stating that the interest has been charged to the customer, and that the Bank is responsible for payment thereof The Inspector of Taxes will deduct the amount of this interest from the assessment of the taxpayer, and where the tax has already been paid, will certify the amount for repayment.

811. Building Society Interest should also be entered under *Charges on Income.* It is usual for Building Societies to make an arrangement with the Inland Revenue relieving their borrowers, as well as investing members from the payment of Income Tax on interest. In order to support the charge of such interest the borrower must secure from the Building Society a Certificate, No. 13, showing the amount paid for interest during the year, and send this to the Inspector of Taxes, who will make the necessary deduction in respect thereof on the assessment.

812. SCHEDULE B, or the **Farmer's Tax,** which is borne by the **occupier,** relates to earned incomes derived from the use and *occupation* of lands, and is divided into two classes :—(**1**) Incomes derived from land *not* occupied with the view of profit, such as **shooting,** fishing and grazing leases, parks, woodlands, moorlands, sewage farms, pleasure and ornamental grounds, golf courses, etc., assessable on the **statutory basis** of **one-third** the **gross annual value.** (**2**) Incomes derived from **husbandry,** lands, **farms,** nurseries, market gardens, etc. The profits derived from the hiring out of farm implements, also fees for the service of entire horses, are assessable under Schedule D, and are in addition to the assessment on the lands occupied. The assessment of Nurseries and Market Gardens is under Schedule B, but is estimated according to the rules under Schedule D. On the presumption that the ordinary farmer does not keep a complete account of his transactions, the Income Tax Acts have *fixed* his profit at the equal of his **annual rent,** or (if the

owner of the farm) the **gross annual value.** Thus, a farmer paying £300 per annum is deemed to have a **Statutory Income** of **£300** from that source, which is, of course, subject to the usual abatement of one-sixth and other allowances. He has, however, the **option** of being **assessed** under **Schedule D,** on the **actual average profits** of the three preceding years, provided notice is given, either personally or by registered letter, to the Inspector of Taxes to that effect before the 6th June. In Scotland the time is extended to the 5th August. A Farmer has also the option of appealing against his Sch. B. assessment, and submitting accounts for that particular year only. In order to procure assessment under Schedule D, it is necessary that the farmer should comply with the special regulations under that Schedule. He should take **stock** at least once each year, and keep **proper records** of all his business transactions, so as to be able to produce the necessary **accounts proving** his **actual profit** as set forth in his Return. Where, by reason of flood or tempest, loss shall be sustained to crops, or any lands shall be rendered incapable of cultivation, the Commissioners, on proof that the owner has abated any portion of the rent, may abate the assessment to a like extent. Similar relief is granted where the owner is himself the occupier. An allowance is also granted by reason of rent remitted on account of agricultural depression. See Forms No. 191 and 192.

813. When the assessment has been fixed by the Commissioners if no appeal is made, or if an appeal to them succeeds the tax charged must be paid, but if the sum assessed exceeds the profits, a claim to repayment may be made at the end of the year, or if exemption or the full abatement to which the assessed is entitled has not been allowed, repayment of the portion overcharged may be secured if a claim is made within three years of the close of the official year for which the overcharge was paid. **Forms** may be secured from the Inspectors of Taxes on which such claims may be preferred. Form No. 79 D. is to be filled up when making an appeal for **repayment** of tax charged under Sch. B on a/c. of the profits falling short of the assessment.

SCHEDULE B. EXAMPLES of ASSESSMENT.

(1). **Married Farmer,** with 3 children, occupies a farm at an annual rent of £350.

Gross Assessment of Farm	£350	–	–
Deduct one-sixth	58	6	8
Assessable income....	£291	13	4
Deduct Personal allowance £225			
,, Allowance for 3 children 90	£315	–	–
Exempt from Income Tax.			

(2). **Married Farmer,** with 6 children, occupies a farm at an annual rent of £500.

Gross Assessment of Farm	£500	–	–
Deduct one-sixth	83	6	8
	£416	13	4
Bank Interest not taxed	50	–	–
£1000 War Loan @ 5 per cent., not taxed	50	–	–
Assessable income....	£516	13	4
Deduct Personal allowance £225			
,, Allowance for 5 children 144	369	–	–
Tax payable @ 2/– in the £ on	£147	13	4

(3). **Bachelor Farmer,** with a widowed mother and a dependent brother, occupies a farm at an annual rent of £1000. Insured in 1917.

Gross Assessment of Farm	£1000		–
Deduct one-sixth	166	13	4
	£833	6	8
Investment Income, taxed at source	400	–	–
Assessable income..	£1233	6	8
Deduct Personal allowance £135			
,, Allowance for 2 dependents 50	185	–	–
Taxable income....	£1048	6	8
Tax on £225 @ 2/– in the £ ...£22 10 –			
Tax on £823 6 8 @ 4/– in the £ 164 13 4			
	£187	3	4
Tax deducted on Investment Income ..... 80 – –			
	£107	3	4
Deduct Tax on Life Insurance Premium of £100 @ 2/– ... 10 – –			
Total Tax payable to Local Collector...	£97	3	4

814. The Ministry of Agriculture, *Whitehall, London, S.W.1*, issue free of charge, an instructive leaflet on "Farm Book-keeping." The publisher of this treatise also publishes a work entitled **Farm & Estate Book-keeping,** by Taylor & Peet, now in its 4th edition, price 6/6 net, from A. Fieldhouse, Huddersfield, Yorks.

Dr. PROFIT & LOSS A/c. of A. FARMER. Cr.
for the year ending 31st December, 1924.

To		£	By		£
	Valuation of live&dead stock, tillages & unexhausted improvements at **beginning of year**	2800		Sales & Receipts from Analysis Book, viz. :	
,,	Payments & Expenses from Analysis Book, viz.			Cattle	234
	Cattle	260		Sheep	197
	Sheep	146		Wool	43
	Seeds	47		Dairy	306
	Foods	185		Poultry	215
	Manures	63		Corn	178
	Rent	250		Hay	69
	Rates	125		Other Produce	52
	Labour	389		Sundries	48
	Sundries	76	,,	**Valuation** of live&dead stock, tillages & unexhausted improvements at **end of year**	3124
,,	**Net Profit** for year	386	,,	Farm produce used by household	261
		4727			4727

No. 191.

Form of Certificate to be filled up by Persons seeking Relief from Income Tax on the amount of Rent remitted on account of Agricultural Depression.

County of .....
Division of .....
Parish of .....

I* .....
being the .....of the lands in the above-named Parish or Place, let to, and occupied by .....
hereby certify that I have reduced or agreed to reduce the rent payable to me in respect of the said lands for the sum of £ † ,, ,, to the sum of £ † ,, ,, , for the year ending the 5th day of April, 192 .

Given under my hand this.....day of.....192..

Signature of Owner or Agent .....

Address.....

*Insert name in full, and state whether Owner or Agent. If Agent state the name and Address of the Owner.

†Any interest for outlay on improvements, or other consideration in addition to the Rent, to be included.

No. 192.

Claim of Repayment.

INCOME TAX. Year 192——.

AGRICULTURAL DEPRESSION.

* Insert name in full, and state whether the Owner, or the Agent of the Owner, or the Occupier.

I*_____ being the _____ of the lands described in the Schedule hereunder written, declare that all the particulars entered therein are truly stated, and that the sums set forth have been absolutely and without reservation remitted from the rent payable in respect of the said lands, for the year ending the 5th day of April, 192 .

SCHEDULE.

Parish or Place.	Name of Occupier.	Name and Address of Owner.	Description and Name or Situation of Lands.	Full rent payable for the year ending 5th April, 192 , including interest for outlay on improvements (if any).	Amount of rent remitted for the year ending 5th April, 192 .	Duty claimed to be repaid †	
						Sch. A.	Sch. B.
					Total...		

And I further declare that I have paid the Income Tax charged upon the said lands for the year ending the 5th day of April, 192 , and I therefore request that the sum of £..... being the duty on the amount of rent remitted may be refunded to me.

† The Collector's Receipts for the Income Tax paid must be annexed, and where the claim is made by an Occupier he must furnish a Certificate from the Owner of the amount of rent remitted.

Given under my hand this _____ day of _____ 192 .

Signature of Claimant _____

Postal Address _____

The form when completed should be sent to H.M. Inspector of Taxes for the District in which the property is situated.

No. 79 D.

INCOME TAX. Schedule B.

YEAR 192

For use of Inspector.

Parish .....

Asst. No. .....

Name of Farmer

Postal Address .....

PARTICULARS OF THE FARM TO WHICH THE ACCOUNT RELATES.

Parish of ..... *Name of Farm* .....

Assessment No.	Owner.	Acreage.				Full Amount of the Rent payable.		Amount of any Rent remitted by the Landlord for the year to which the Appeal relates.		Annual Value charged under Schedule A where the Occupier is also the Owner.	
		Arable.		Permanent Pasture.							
		a.	r.	a.	r.	£	s.	£	s.	£	s.

NOTE. 1.—A farmer may present accounts made up to the date at which his accounts are usually balanced.

If full accounts have been properly made up, it will be unnecessary to complete this form, provided a certified copy of the farming account, and (where available) the last two balance-sheets are forwarded, and any other information required by the Commissioners is furnished on application.

NOTE 2.—This account is provided to meet the case of a farmer who keeps only a cash account of his transactions. This necessitates the closing entries, on each side of the account, regarding the farm debts owing to him and by him at the beginning and end of the year.

NOTE 3.—The farmer can charge in his accounts in respect of the keep of employees who are boarded by him, the difference between their actual money wages and the wages they would receive if not boarded. This must not include the value of a rent-free cottage, since the full rent and rates of this will already be charged in the farm account as part of the farm rent and rates.

NOTE 4.—The profits on dealings in horses, etc., are assessable under Schedule D, and if a separate return of such profits has been made under this head the amount should not be entered again in this account; the expenses incurred in earning such profits should similarly be excluded from the expenditure side of the account.

Dr. ACCOUNT FOR THE Y

(1)	Valuation at beginning of year. Number or Quantity. (2)	Amount. (3) £ s. d.	Expenditure during the year. Number or Quantity. (4)	Amount. (5) £ s. d.	Total for the yea Number or Quantity. Cols. 2 and 4. (6)	An Co 3 an £
To Horses (working)						
Dairy Cows						
Ewe flock						
Other horses						
„ cattle						
„ sheep						
Pigs						
Poultry						
Any other live stock :—						
Wheat (stack or barn)	Qrs		Qrs.		Qrs.	
Barley „	„		„		„	
Oats „	„		„		„	
Rye „	„		„		„	
Beans „	„		„		„	
Other Corn and seeds						
Hay	Tons		Tons		Tons	
Straw	„		„		„	
Roots	„		„		„	
Potatoes	„		„		„	
Manures, lime, soot, etc.						
Fuel, Peat, etc.						
Wool	Lbs		Lbs.		Lbs.	
Hides, etc.						
Implements and machinery ... (See Abstract C.)	—		—		—	
Loose tools, harness, etc.	—		—		—	
Repairs to implements, machinery, tools, etc.	—	— - -	—		—	
Any other stock, in hand or purchased, viz.:—						
Value of Tillages, unexhausted manures, and growing crops at beginning of year if a valuation has been made (See Abstract A.)	—		—	— - -	—	
Rent	—	— - -	—		—	
Hire of Grazing, &c.	—	— - -	—		—	
Rates and Taxes (including Income and Property Tax)	—	— - -	—		—	
Wages & National Health Insurance						
Employers' Liability Insurance, and Insurance of buildings, stock, crops, etc.	—	— - -	—		—	
Hire of threshing machinery, steam ploughs and other machinery and hire of horses	—	— - -	—		—	
Blacksmith, veterinary surgeon and medicines	—	— - -	—		—	
Tradesmen's bills recoverable from Landlord (See opposite.)	—	— - -	—		—	
Valuer's, Auditor's or Accountant's Fees	—	— - -	—		—	
Other farming expenses, viz.:— ...	—	— - -	—		—	
TOTAL ...		- -		- -		
* *Add* Farm debts owing by me at end of year						
TOTAL						
* *Deduct* Farm debts owing by me at beginning of year ...						
TOTAL						

* These entries are necessary where the account only includes cash payments and receipts during th respect of credit transactions. If, however, the amount is made up to include all transactions for th

ENDING ..... 192 **Cr.**

	Sales during the year.			Valuation at end of year.			Total for the year		
	Number or Quantity	Amount.		Number or Quantity.	Amount.		Number or Quantity. Cols. 9 and 11.	Amount. Cols. 10 and 12.	
(8)	(9)	(10)		(11)	(12)		(13)	(14)	
		£	s. d.		£	s. d.		£	s. d.
y Horses (working)									
Dairy cows									
Ewe flock									
Other horses									
„ cattle									
„ sheep									
Pigs									
Poultry (including eggs)									
Any other live stock :—									
Wheat (stack or barn)	Qrs.			Qrs.			Qrs.		
Barley	„			„			„		
Oats	„			„			„		
Rye	„			„			„		
Beans	„			„			„		
Other corn and seeds									
Hay	Tons			Tons			Tons		
Straw	„			„			„		
Roots	„			„			„		
Potatoes	„			„			„		
Manures, lime, soot, etc.									
Fuel, Peat, etc.									
Wool	Lbs.			Lbs.			Lbs.		
Hides, etc.									
Implements and machinery (see Abstract C)	—			—			—		
Loose tools, harness, etc.	—			—			—		
Any other sales, or stock-in-hand, viz. :—									
Value of tillages, unexhausted manures, and growing crops at end of year, if a valuation has been made (see Abstract A)	—	—	—	—			—		
Milk, butter & other dairy produce	—			—			—		
Sums recovered or recoverable under insurance contracts	—								
Machinery, implements, horse and other labour hired out	—				—	—	—		
Profit on dealing in horses, cattle, etc. in respect of stock not already included in farm purchases and sales (See Note 1 on page 1) ...	—			—	—	—	—		
Sums recovered or recoverable from Landlord (see opposite)...	—				—	—	—		
Value of produce, etc., consumed by farmer and his household, and by farm hands boarded in (see Abstract B)	—								
Other farming receipts such as rent of land, cottages, sporting rights, etc., sub-let, premiums for pupils, sales of old materials, rabbits, etc., viz. :—	—			—		—	—		
TOTAL ...									
Add Farm debts owing to me at end of year				... ...					
TOTAL				... ...			...		
Deduct Farm debts owing to me at beginning of year ...				... ...			...		
				... ...			...		

ether these are in respect of past years' transactions or not, and where nothing is included in the account in ether for cash or credit, then these entries are not required.

ABSTRACT A.

VALUATION OF TILLAGES, UNEXHAUSTED MANURES AND GROWING CROPS AT BEGINNING AND END OF YEAR.

FORM OF DECLARATION.

I hereby declare that the value of the tillages, unexhausted manures and growing crops—

* is shown in these accounts as actually valued by ..... at the beginning and the end of the year;

* at the beginning of the year did not differ materially from the value at the end of the year.

* showed an increase or decrease at the end of the year, as shown on the detailed statement annexed.

Signature .....

* Strike out the inappropriate lines. *Date* .....

ABSTRACT B

FARM PRODUCE CONSUMED BY FAMILY, ETC.

Number of persons resident at farm (excluding farm hands) ...	Number of farm hands boarded in ...

	£	s.	d.
Farm stock killed for home consumption, viz.:—			
Pigs			
Lambs			
Other stock (give particulars)			
Estimated weekly value of own farm produce, etc., consumed by family (including produce provided free to farm hands boarded in), viz:—			
Poultry			
Eggs			
Milk and Cream			
Butter			
Flour or meal from home-grown corn			
Wood			
Coal			
Potatoes			
Per week ..			
equals per annum			
Estimated value of carting, hauling, etc., done for house			
Proportion of wages (if any) already charged in farm account for farm hands, servants or grooms, partly engaged in garden or house work or attending to horses used other than for farm purposes			
Estimated value of keep of horses wholly or partly used for other than farm work, included in farm account			
Any other private expenses charged in farm account, viz. :—			
TOTAL ...			

ABSTRACT C.

VALUATION OF IMPLEMENTS AND MACHINERY.

Description of Implements and Machinery.	At beginning of year.				At end of year.			
	No.	Value.			No.	Value.		
		£	s.	d.		£	s.	d.
Binders								
Reapers								
Grasscutters								
Horse rakes								
Ploughs								
Cultivators								
Harrows								
Horse hoes								
Rolls								
Water carts								
Wagon								
Carts								
Tractors								
Drums								
Elevators								
Chaff boxes								
Cake crushers								
Mangold cutters ...								
Potato lifters								
Oil engines								
Steam engines								
Other implements, viz.:—								
TOTAL ...								

DECLARATION.

I hereby declare that all particulars given in these accounts are true and correct to the best of my knowledge and belief, and that they disclose a complete account of my farming business for the period stated.

Signature .....

815. SCHEDULE C, or the **Stockholder's Tax,** chargeable at the standard rate, relates to *unearned* incomes derived from the interest, annuities and dividends, payable out of the Public Funds of the U.K., the Colonies, or any foreign state ; and is generally deducted when the dividends are paid by the Bank of England and other financial houses, who have been previously charged under this Schedule, which is practically non-existent so far as the individual taxpayer is concerned. If the income of the stockholder entitles him to **exemption** or abatement, it is necessary to apply to the H.M. Inspector of Taxes for the district in which the claimant resides, for a return of the tax, unless it is in respect of dividends amounting to *less* than 50/- per half year, in which case the tax is *not* deducted.

816. SCHEDULE E, or the **Employees** or **Salary** or **Annuity Tax,** relates to the salaries, wages, annuities, pensions, perquisites, profits and fees payable to **all employees,** officials, directors, managers, secretaries, auditors, clerks, and others in the employment of individuals, firms, the Church, State, Corporations, Public Bodies or Limited Companies. This tax is charged upon the *actual profits of the year of assessment*, and *no averaging is permitted* to employees. In the case of commission, bonus, or other fluctuating emoluments, the amount of which for that year is unknown, it is sufficient to state the amount of the *preceding* year. If an official receives any additional salary, beyond the assessment made upon him, a further assessment may be made for the increase. A Railway Co. is liable for the payment of the tax in respect of its employees, from whose salaries the Co. is empowered to deduct the same. Tax is also deducted from the salaries of Government Officials and Members of Parliament. All **employers** are under a statutory obligation to furnish a **list** of the names, addresses, wages, and other payments to their **employees,** except those whose remuneration does not exceed £160 per ann., and who have no other employment. As this Schedule relates solely to the

earned income of employees it is subject to the statutory abatement of one-sixth. There is *no* provision for repayment of tax under Schedule E., except on the ground of expenses or double assessment.

817. Expenses can be claimed under Sch. E, as deductions from the income if *wholly* and *necessarily* incurred in the performance of the duties of the Office. The travelling expenses of an official in the discharge of his duties, within his own area, parish, diocese or circuit are allowable. Compulsory contributions by teachers and officials to Superannuation Funds may be claimed. A blue foolscap form, **No. 12,** is sent about May in each year by the District Assessor to every person likely to be assessable under Schedule E. Page 1 contains the circular letter requesting the Return to be made to the assessor within 21 days, also Section A with columns for the description of the office held or employment followed, and the salary, fees, emoluments, commission or bonus received therefor. Page 2, Section B, gives instructions and provides spaces for the Return of the Total Income of the taxpayer from every source, with the object of obtaining such allowances, deductions or relief as he may be entitled to. The claims in respect of wife, housekeeper, children, dependent relatives or assurance premiums, should be made in sections C to J on page 3 and 4.

818. Official Residences which the occupant *cannot* sub-let are not generally regarded as additional income, but where the official has the option of letting the house, the annual value should be added to the salary. A **clergyman** generally has the right of letting the Vicarage, hence the net annual value is part of his income. Where a clergyman or a **minister** of any denomination occupies a house **rent free** by virtue of his office in such circumstances that the annual value of the house does not fall to be regarded as part of his income (because he cannot sub-let), he is nevertheless entitled, on giving notice for any year to the Inspector of Taxes, to require that the **annual value** of such house, after deducting therefrom the amount of any

annual sum payable in respect of the house, shall be treated as part of his **earned income** for that year. Any such notice must be given either by the 30th September in the year of assessment, or within three months after the commencement of occupation by the clergyman or minister, and may be given by entering on the form the situation and annual value of the house in space " b " on page 2, and adding the words :— " occupied rent free—claimed as earned income." Any rent, ground rent, interest on mortgage or loan, or other annual sum payable in respect of the house, either by the clergyman or minister or by the trustees, &c., should be entered in space " No. 3 " on page 2.

819. A clergyman or other minister may claim as an **expense** *one-eighth* of the rent or annual value of his **residence.** Clergymen are provided with a **special form** (No. 38, C.W.), upon which to make their Return, page 3 providing for the income to be returned as follows :— (1) Stipend, annuity or pension, (2) Other Receipts, (3) Income from local endowment, (4) Easter and other offerings, (5) Surplice fees, (6) Pew rents, (7) Annual value of Vicarage, (8) Annual value of Glebe, (9) Grants from Sustentation Funds, etc., (10) Other Sources ; followed by Space B for the deductions claim.

EXAMPLES of ASSESSMENT UNDER SCHEDULE E.

(1). **Minister,** residing in Manse provided by his Church.

Stipend		£444
Fees		4
Annual value of residence		32
		£480
Deduct one-sixth	£80	
,, Study Allowance (one-eighth)	4	
,, Travelling expenses, &c.	10	
,, Personal Allowance	225	
,, Allowance for 3 children	90	
,, Allowance for dependent relative	25	434
Taxable income of		£46

Subject to allowance for Life Assurance premiums of self and wife.

(2) **Registered Teacher** at a Municipal Technical College.

Salary	£500	
Fees for private and postal tuition	100	
Fees for acting as Examiner	25	625
Deduct Superannuation contributions		25
		£600
Deduct one-sixth		100
		£500
£500 5 per cent. War Loan, untaxed		25
Annual value of residence		30
Bank Interest		15
Assessable Income of		£570
Deduct Personal Allowance	£225	
„ Allowance for 3 children	90	
„ Allowance for dependent relative	25	340
Taxable Income		£230
Tax on £225 @ 2/– in the £	£22	10 –
„ „ £5 @ 4/– in the £	1	– –
	£23	10 –
Deduct tax on Life Assurance Premiums on Policies dated 1917 of wife & self @ £30 per annum, at 2/– in the £	3	– –
Total Tax payable to Local Collector	£20	10 –

820. WEEKLY WAGE EARNERS earning on the **average** more than **£160** per ann. for **single** persons, and **£250** per ann. for **married** couples, are assessed on the **actual amount** of their wages, bonuses, and other earnings for each **half-year,** instead of the year. Free residence, free coal, lodging allowances, compensation money, sick pay or unemployment pay are *not* treated as income for purposes of assessment. The first half-yearly assessment becomes due on 5th October and the second on the 5th April. Where the amount of the tax due **exceeds six shillings** per half-year, it may be paid by purchasing **stamps** at the Post Office, and affixing them to a **special card,** which the collector of taxes will supply for the purpose. Where the amount due is *less* than six shillings, the amount must be paid in cash. This half-yearly assessment, based upon returns made by the employer, only applies to those engaged in **manual occupations,** and *not* to clerks, typists, draftsmen, or in any other

similar capacity. The usual **allowances** for wife, housekeeper, children under 16 years of age, as well as the ordinary relief, or abatement, is granted, as in the case of annual assessments. An **allowance** is also made for contributions to a Trade Union, which are allocated to superannuation and death benefits. There is also an allowance on account of tools, clothes, boots, explosives, and similar expenses incurred exclusively for the purposes of employment, when these are not provided by the employers. These allowances have generally been fixed through the medium of conferences held between the Inland Revenue and the various Trade Unions concerned. Skilled workers, who are of opinion that the full amount of deductions to which they are entitled are not being allowed, have access to the usual methods of appeal. Examples of

HALF-YEARLY ASSESSMENTS OF WAGES.

(1). **Gasworks Fireman,** unmarried.

Earnings for half-year ending 5th Oct., 1925				£144	–	–
Deduct Expenses (£8 per ann.)	£4	–	–			
,, One-sixth earnings (£144-£4)	23	6	8			
,, Personal Allowance	67	10	–	94	16	8
Taxable income				£49	3	4
Tax on £49 3 4 @ 2/– in the £	4	18	4			
Deduct 2/– in the £ for Life Assurance £10 per ann., on £5		10	–			
Total Tax payable to Local Collector	£4	8	4			

(2). **Stone Carver,** married.

Earnings for half-year ending 5th April, 1926				£200	–	–
£400 5 per cent. War Loan, untaxed				10	–	–
Total quarterly income				£210	–	–
Deduct Expenses (£8 per ann.)	£4	–	–			
,, One-sixth of earnings (£200-£4)	32	13	4			
,, Personal Allowance	112	10	–			
,, Allowance for 3 children (£90 p.a.)	45	–	–			
,, Trade Union Contribution (£4 p.a.)	2	–	–	196	3	4
Taxable income				£13	16	8
Tax on £13 16 8 at 2/– in the £	£1	7	8			
Deduct 2/– in the £ for Life Assurance £5 per ann., on £2 10 –		5	–			
Total Tax payable to Local Collector	£1	2	8			

821. SCHEDULE D, or the **Commercial** and **Professional Man's Tax,** relates to incomes derived from Trade, Manufacture, Professional practice, or Employment, and any income not included in the other four schedules. Immediately after the 6th of April in each year **Notices** are posted up in prominent places throughout the country, calling upon all and sundry to make a return of their incomes for the purposes of taxation. Simultaneously the District Assessor forwards to every person or firm likely to be assessable under this schedule an eight-paged form, **No. 11,** known as the **Return for Assessment under Schedule D,** the **first page** of which contains the circular letter requesting the Return to be made within 21 days; and enclosing a separate eight-paged sheet of *Notes and Instructions in regard to the Return of Income for Assessment, Sec. B of Form No.* 11, which sets forth the Rules and Regulations for calculating Profits. **Page 1** of the **Return** also contains, at the foot, **Section A,** that a Return has been made elsewhere. **Page 3** of the **Return, Section B,** is to be used for the Statement of Untaxed income for assessment under Schedule D, and the General Declaration of the taxpayer; also for insertion of the amount claimed for the Wear and Tear of Plant and Machinery. Should the recipient of the Return have *no* untaxed income whatever falling under any of the heads enumerated on page 3, he should enter the word "None" in the money column on that page, sign the "General Declaration" at the foot thereof and forthwith return the form to the assessor. **Page 5** of the **Return** contains **Section C,** being the Claim for any Allowance or Relief. On this page the Claimant must bring forward the total from page 3, and set forth **every source** of income, both of self and wife, with the amount derived from each source, whether tax has been paid on it or not; also Particulars of Charges on such Income. **Page 6** of the **Return** contains **Section D,** the Claim for Relief in respect of Wife, living with her husband; **Section E,** the Claim for the Relief allowed to a Widower or Widow; **Section F,** the Claim for Relief by an Unmarried Person in respect of widowed mother or

housekeeper : **Section G,** the Claim for Relief in respect of children. **Page 7** of the **Return** contains **Section H,** the Claim for Relief in respect of Dependent Relatives ; **Section J,** the claim for Allowance in respect of Life Assurance Premiums or payments under contracts for Deferred Annuities. **Page 8** contains **Section K,** being a Declaration to be made by a person not domiciled in the U.K.

822. The tax under **Schedule D** is **charged** on the **average profits** of the **three financial years** of the business **preceding** the **year of assessment ;** that is to say, assuming the year of assessment to be 1925-26, ending 5th April, 1926, and that it was customary for the books to be balanced on the 31st December in each year, then the a/cs. for the years **1922, 1923** and **1924,** would form the basis of the Return to be made in May, 1925. If the business has not been carried on three years, then the average from the start up to that period is taken instead. Where there has been a **change** in the **proprietorship** of the **business** brought about by the retirement or introduction of a partner, or where a business has been disposed of, the Return must still be based on past profits. If, however, it can be shown that since the change took place or by reason of it, the profit has diminished from some "specific cause," or where a retired partner influences trade away from the firm, the business is then assessed as a new one on the actual profit made. Where two or more partners dissolve, and each goes into business on his own account, there is, of course, no **succession,** each being treated as carrying on a new business.

823. The tax on profits derived from **Quarries, Iron works,** Alum and Salt Mines, Gasworks, Waterworks, Canals, Railways, Docks, Tolls, Markets, Fairs, Ferries, Bridges, Fishings, &c., is charged on the *profit of the preceding year.* The tax on profits derived from Coal, Lead, Copper, Iron and other **Mines** is charged on the *average profits* of the *five years* preceding the year of assessment. A special form is provided upon which

to make the return of income falling under the heads referred to in this paragraph.

824. Before filling up the **Statement of Income** on pages 2 and 5 of the Form, the *Notes and Instructions*, issued therewith, as well as the instructions on the Statement itself, should be very carefully studied. Firms who employ auditors frequently requisition their services in the preparation of the Return, in many cases leaving the matter entirely in their hands. As a necessary preliminary to compiling the **First Return** for Assessment there should be extracted from the books a full and accurate copy of the *Trading and P. & L. A/cs.* for the past three years. This **three-columned a c.** (ruled like a three-columned Cash Book) each column being headed with its year, gives in one concise view and in comparative form all the information required for ascertaining the taxable profit. A *separate account* should then be prepared showing the adjustments of the various amounts not allowed, as well as other charges which are allowed, after which the average may be struck and the resulting amount inserted, *in one item*, at the top of the money column on page 3 of the Return. Some accountants employ a special left-hand column on this three-columned a/c in order to show in red ink the items requiring adjustment. The **Claim** for **Wear** and **Tear** of Plant and Machinery on page 3 of the Statement of Income, and the **Claims** on pages 6 and 7 in respect of **Life Assurance Premiums** on the lives of the taxpayer or his wife living with husband; housekeeper; children, and dependent relatives; should be attended to where applicable. In preparing a **Second Return** there is *no* necessity to produce to the Inspector a three-years' account, the Statutory Income of the two preceding years included in the last assessment, alone being required, along with the statutory income of the new year, for ascertaining the new average. Before forwarding the **Return** to the Inspector a **duplicate** should be made and preserved for use in case of appeal, as well as for future reference.

The **Ordinary Trading** and **Profit & Loss A/c.** of **Charles Silkstone,** Coal Merchant,

Dr. for the three years ended 31st December, 1924, extracted from the books. **Cr.**

	1922.	1923.	1924.		1922.	1923.	1924.
To Stock, 1st January	£320	£390	£370	By Cash Sales	£216	£264	£290
,, Purchases	12560	12860	13200	,, Credit Sales	16440	16940	17560
,, Carriage	930	940	980	,, STOCK, 31st December	390	370	410
,, GROSS PROFIT c/d	3236	3384	3710				
	£17046	£17574	£18260		£17046	£17574	£18260
To Wages	760	770	790	By Gross Profit b/d	3236	3384	3710
,, Horse Keep & Stable Expenses	410	420	440	,, Commission received	10	16	20
,, Rent & Rates	73	70	78	,, Rents received	40	40	40
,, Travelling Expenses	45	48	52	,, Dividend received from the Anthracite Coal Co., Ltd.	50	60	70
,, Fire Insurance, &c.	10	10	10				
,, Repairs	15	12	18				
,, Advertising	50	56	66				
,, Discount & Allowances	34	38	43				
,, Office Expenses	26	32	38				
,, Commission	15	20	25				
,, Voluntary Subscriptions	10	10	10				
,, Bad Debts	54	30	43				
,, Interest on Loan	50	50	50				
,, Property Tax	7	7	7				
,, Income Tax, Schedule D	45	48	54				
,, Depreciation of :—							
Buildings @ 2½%	60	58	56				
Office Furniture @ 7½%	6	6	6				
Horses @ 15%	75	75	75				
Carts @ 10%	16	16	16				
Railway Trucks @ 7½%	60	55	50				
,, Salary of Principal	300	300	300				
,, Interest on Capital	100	100	100				
,, NET PROFIT	1115	1269	1513				
	£3336	£3500	£3840		£3336	£3500	£3840

The **Special Profit & Loss A/c.** of **Charles Silkstone,** Coal Merchant,
for the three years ended 31st December, 1924.

Adjusted so as to show the **Statutory Income** for the purposes of **Taxation,**
for the year **1925-26.**

	1922.	1923	1924
To DEDUCTION of items allowed :—			
Assessment under Schedule A of Building owned and occupied by the Firm, the net value, after deduction of one-sixth for Repairs	£120	£120	£120
Rents received as per Contra, the Tax thereon having been deducted on payment thereof by the tenant	40	40	40
Dividend received, as per Contra, the Tax thereon having been paid at the source by the Anthracite Coal Co., Ltd.	50	60	70
To STATUTORY PROFIT for Income Tax purposes	1634	1774	2007
	£1844	£1994	£2237

	1922.	1923.	1924.
By Net Profit brought down from the Profit & Loss A/c of the Firm	£1115	£1269	£1513
,, ADDITION of items, as per Contra, not allowed to be deducted by the Income Tax Commissioners when arriving at the Statutory Income:			
Voluntary Subscriptions	10	10	10
Interest on Loan	50	50	50
Property Tax	7	7	7
Income Tax	45	48	54
Depreciation	217	210	203
Salary of Principal	300	300	300
Interest on Capital	100	100	100
	£1844	£1994	£2237

£1634 + £1774 + £2007 ÷ 3 = **£1805** is the **Average** to be entered at the top of page 3 of the "Return for Assessment," as shown on page 917.

Presuming that the Inspector of Taxes allowed for **Wear and Tear,** say £75 on the Horses, this amount being the actual loss in market value during the year; 5% on Carts, £8; and about 3% on the Railway Trucks, £20; the total amount, **£103,** of these three allowances would require to be entered at the foot of the "Statement of Income" on page 3 of the Return, as shown on page 917.

Parish.....

No.....

INCOME TAX.

Year 1925-26, ending 5th April, 1926.

Return for Assessment under Schedule D.

To *Charles Silkstone*, of *Hunslet, Leeds*.

In pursuance of the provisions of the Income Tax Acts you are hereby required to prepare a true and correct statement of your Income, in the form on page 3 hereof so far as it is applicable to your case, and deliver it to me at my office duly signed by you within twenty-one days from this date. If, however, you elect to be assessed by the District Commissioners under a Letter, your Return should be sent to the Clerk to the Commissioners (whose address will be furnished by me, or by the Inspector of Taxes, on application), or, if you elect to be assessed by the Special Commissioners, your Return should be sent to the Inspector of Taxes, under cover, marked "For Special Assessment."

Part I. of the enclosed sheet of "Notes, Explanations and Instructions" has been drawn up in order to assist you in filling up page 3 of this form; Part II. of that sheet explains the various reliefs that may be claimed on pages 4 to 7 of this form, in respect of Earned Income, Exemption, Personal Allowance, "Housekeeper," Children, Dependent Relatives, Reduced Rate of Tax, and Life Assurance. Part III. contains directions for filling up the return of total income from all sources on page 5 of this form, to which your attention is particularly directed. If you desire further information on any point, you should apply to the H.M. Inspector of Taxes at

Dated this 12th day of April, 1925.

John Bull, Assessor of Taxes.

This form comprises the following Sections:—

Section A. Declaration that a full Return has been made elsewhere.
" B. Statement of untaxed Income for Assessment under Schedule D.
" C. Return of Total Income from all sources to claim relief.
" D. Relief in respect of Personal Allowance to a Married Man.
" E. Relief in respect of a Widower or Widow's "Housekeeper."
" F. Relief in respect of an Unmarried Person's "Housekeeper."
" G. Relief in respect of children.
" H. Relief in respect of Dependent Relatives.
" J. Relief in respect of Life Assurance Premiums.
" K. Declaration by an individual not domiciled in the U.K., or by a British subject not ordinarily resident in the U.K.

A Partner in a Firm is required to complete Section C., but only as regards any personal untaxed income not included in the joint Return of profits made on behalf of the firm itself. He should in addition complete Sections D., and Sections E to L, so far as they are applicable.

MARRIED WOMEN. The Income of a Married Woman living with her husband is deemed to be his income for the purposes of the Income Tax Acts, and should be included in any statement rendered by him for Income Tax.

Persons not domiciled in the U.K., or persons who are British subjects but not ordinarily resident in the U.K., should fill up Section B only, and return the form to the assessor, when the appropriate form of Return will be issued.

If a full Return for the above year has already been made elsewhere, only Section A need be completed.

Section A

I have already made a return of the whole of my Income chargeable under Schedule D for the year ending 5th April, 1926, from

*My Business Address / *My Private Address } namely:

If a Partner in a Firm, State full description of Firm

If an Employee, state name of Employer

* Delete as necessary

Signature.

1925

Address

Section B	Page 3. Statement of Untaxed Income for Assessment under Schedule D.	Amount
		£
	SOURCE.	
	FROM TRADE, PROFESSION, or VOCATION, viz. :—	
	Of *Coal Merchant*, carried on by *Charles Silkstone*, at *Hunslet*, *Leeds*. *Average profits*..	1805
	The Employment or Vocation of ____ carried on by me at ____	
	Interest on Banking Accounts or Deposits	none
	Dividends or Interest on War Loan Stock, National War Bonds and Exchequer Bonds (where not taxed by deduction)	
	Other Interest, Annuities, Annual Payments and Dividends, not taxed by deduction (the particular source to be stated) viz.:—	
	FROM DOMINION AND FOREIGN SECURITIES (where U. K. Income Tax is not deducted on payment thereof), viz. :—	
	Interest arising from Securities of Governments, Corporations or Companies in any of His Majesty's Dominions out of the U.K.	none
	Interest arising from Securities of Foreign Governments, Corporations or Companies.....	
	Other Interest, Annuities, or Annual Payments charged on any property out of the United Kingdom	
	FROM DOMINION AND FOREIGN POSSESSIONS, viz. :—	
	INCOME ARISING FROM STOCKS, or SHARES (where U.K. Income Tax is not deducted on payment thereof) OR FROM RENTS :—	
	In any of His Majesty's Dominions out of the United Kingdom...	none
	In Foreign Countries	
	Income arising from any other Possessions out of the U.K. (the particular source to be stated), viz. :— ____	
	FROM PROPERTY OR PROFITS NOT FALLING UNDER ANY OF THE FOREGOING HEADS AND NOT CHARGED UNDER ANY OTHER SCHEDULE, viz. :—	
	Letting Furnished House at ____	none
	Other Sources (the particular source to be stated), viz. :— ____ the amount whereof is computed according to (*a*) ____	
	TOTAL..	1805
	Less—In the case of a Trade, Amount claimed for Wear and Tear of Machinery and Plant, which should *not* be deducted in arriving at the above figures.....	103
	NET TOTAL..	1702

General Declaration. I declare that in the foregoing statement I have given a full and true Return of the whole of the Income chargeable upon me under Schedule D estimated to the best of my judgment and belief, according to the provisions of the Income Tax Acts. I desire to be assessed by the *District Commissioners*.

Given under my hand this *first* day of *May*, 1925.

Charles Silkstone, Signature.
310 *Hunslet Lane*, *Leeds*, Business Address.
20 *Moor Side*, *Hunslet*, Private Residence.

STATE WHETHER YOU MAKE THE RETURN— *On own behalf.*

1. On your own behalf; or
2. As Trustee, Agent, Receiver, Factor, etc., and for whom.

Section C

Return of Total Income—to be made by every individual claiming any Allowance, Deduction or reduced Rate of Tax.

The Claimant must set forth every source of his Income, with the amount derived from each source, whether returned elsewhere for assessment or not, whether tax has been paid on it or not, and notwithstanding that the income may have been received "free of tax" or "tax compounded." The word "None" should be written in any of the spaces (*a*) to (*f*) under the heading of which the claimant has no income. If there is not sufficient room to set out the Income in full hereon, particulars may be given on a separate sheet and the totals brought to this page.

No. 1—Particulars of Income.	Amount. £	s.	d
(*a*) Total brought forward from foot of page 3.	1702	–	–
(*b*) From any Public Office or any Employment not entered above (*Name and Address of Employer to be stated*):—			
(*c*) From Property, including the annual value of any property in the claimant's own occupation belonging to himself or his wife.—(*Precise addresses to be stated.*)			
(*d*) From the Occupation of Land:—(*Situation to be stated.*)			
(*e*) From Dividends, Interest, Annuities, Dominion and Foreign Securities and Possessions, and any Income not already entered elsewhere on this page, viz.:—(I) Income subjected to U.K. Income Tax before receipt, or received "tax compounded." (II) Income not subjected to U.K. Income Tax before receipt.			
(*f*) Wife's Income, if not included above (*giving full particulars and stating whether subjected to U.K. Income Tax before receipt or not. If included above, it should be so stated. If none, write "None"*):—			
Total....			

No. 2.—Particulars of Charges on Income. If there are no Charges write "None." It is not sufficient to leave this space blank.	Annual Amount payable. £	s.	d
Ground Rent on.....payable to.....			
Mortgage or Loan:— £ at % from.....on.....			
Annuities, payable to.....			
Patent Royalties, payable to.....			
Other Annual Charges (if any), viz.,...payable to....			
Total Charges....			
Total Amount of Income FROM ALL SOURCES less Charges..			

I declare that the above statement contains a full, just, and true account and return of the Whole of my Income from every source whatsoever, for the year ending the 5th day of April, 1926, estimated according to the provisions of the Income Tax Acts, and I therefore claim the relief to which I am entitled in virtue of the facts as so stated.

Given under my hand this day of May, 1925.

A Woman must state after her signature whether *Married, Widow or Spinster.*

Signed

Private Residence

Section D. If you are a **Married Man**, and your wife is living with you, or is wholly maintained by you, give the following particulars.

Full Christian Names of Wife who is living with me, or is wholly maintained by me. .....

Section E. If you are a **Widower (or Widow)**, and (*a*) female relative of yourself or of your deceased wife (or husband) resides with you for the purpose of having the charge or care of any child of yours in respect of whom the deduction for children is granted, or (*b*) if no such relative is available, some other female person is employed by you for the like purpose, give the following particulars.

Name of Female Relative or other person employed by you.		Whether she is married, widow or spinster (if she is married, but living apart from her husband you should state so).	Relationship (if any) to yourself or to your deceased wife (or husband).	Are you a widower or a widow
Surname.	Full Christian Names.			

Section G. Claim for Relief in respect of Children, including Step-Children.

Name of each child living on 6th April, 1925, and under the age of 16 years on that date, or over that age and receiving full-time instruction at an educational establishment.		Date of Birth			Place of Birth.	Has the child any income in own right?
Surname.	Full Christian Names.	Day.	Month.	Year.		

Section J. Claim for Allowance in respect of Life Assurance Premiums or Payments for Deferred Annuities.

State whether the Assurance or Annuity is on life of "Self" or of "Wife."	Name of Assurance Company or Friendly Society.	Date of Policy or Contract.	Capital sum payable at death—exclusive of any additional benefit by way of bonus or otherwise.	Amount of Premiums to be paid in the year ending 5th April, 1926.	
				£	s.

I declare that all the particulars given by me above are truly and correctly stated to the best of my judgment and belief, and I claim the relief to which I am entitled in virtue of the facts as so stated. I declare that no other individual is entitled to any deduction for Income Tax in respect of any female relative in respect of whom I have claimed a deduction in Section F. or G., or if any other individual is so entitled that such individual has relinquished his or her claim to the deduction.

May, 1925. _____ Claimant's Signature.

825. Failure to make a **Return** or the making of an untrue or incorrect Return renders one liable to a **penalty** of **£20,** plus **treble** the **duty** properly chargeable. Even where a person proves that he is *not* chargeable to duties, he incurs a penalty of £5, for refusing to make a Return. In the absence of a Return the Commissioners may assess the delinquent at what they think proper. The penalty for aiding and abetting the preparation of fraudulent returns is **£500.**

826. In arriving at the assessment under **Schedule D,** the principal problem of the trader is in knowing what deductions he may legally claim out of his profits in order to arrive at his **statutory income** or taxable amount, which is generally at variance with his *real* or *actual* income. For the purposes of taxation, the income must be ascertained by a fixed standard, which is applicable alike to every taxpayer. This standard is known as the **Statutory Income,** being arrived at according to the Law, and the practice of the Officials and Commissioners, which, in such matters as the allowances for "Wear and Tear," varies in each district, and even within the same district, when special circumstances arise. To put it broadly, all **expenses** and disbursements *wholly* and *exclusively laid out* or *incident to*, and *necessary in*, the *production of profits* can be deducted, but such expenses as are not necessarily and usually incurred in the earning of profits are not allowed. In other words, profits are ascertained by setting against the income earned the cost of earning it. The **accuracy** of Trading and Profit & Loss A/cs. attached to the Return for Assessment is usually required to be verified by **Certificate No. 81,** as shown on page 951.

827. The following **DEDUCTIONS are NOT ALLOWED**:—(**1**) *Losses* not connected with, or arising out of *Trade*, such as damages payable by a newspaper proprietor for libel; by a professional man whose coachman had negligently run somebody down; by a brewery firm for the falling of a chimney upon a guest in a hotel. (**2**) Capital withdrawn. (**3**) Sums expended on improvements or additions to premises

(**4**) Interest on Capital. (**5**) *Annual Interest*, of any kind, whether on a Loan A/c. at the Bank or elsewhere, or any Annuity, Chief Rent, Ground Rent, or other *annual* payment payable out of profits, the tax upon which should be deducted at the time from the person to whom the payment is made. Although no part of the income of the payer, it is nevertheless added to his assessment for the purpose of *collection*, the borrower, tenant, lessee, or payer, thus being made the collector for the Revenue, to whom the amount should be paid in due course. Take the case of a lessee whose only income is £120, the assessed value of a building, subject to a Ground Rent of £20. On paying the £20 to the lessor the lessee will deduct £5 in respect of tax. Although the lessee's income is exempt from income tax, being under £150, he must account to the Revenue for the £5 deducted from the Ground Rent. (**6**) Depreciation of furniture, fixtures and fittings (subject to frequent renewal) land, buildings, leases, goodwill, trade marks, patents, or copyright ; but an *allowance* may be *claimed* (not deducted) in respect of the Wear and Tear of *Plant*, *Machinery*, and *Ships*. (**7**) Royalties on minerals, or patents, the tax upon which must be deducted when making the payment to the landlord or patentee. An author selling a copyright is chargeable on the actual amount *received*, less expenses ; and thus pays tax on capital as well as income. On a re-sale only the difference between the selling and the cost price would be taxable. An inventor, however, is *not* assessable in respect of the lump sum received by him on the sale of his patent. (**8**) Expenses not wholly and exclusively laid out for Trade, &c. ; for instance, travelling expenses between two places of business, or where a person resides in one place and carries on business in another. (**9**) Partners' salaries and drawings. (**10**) Expenses of maintenance of the person assessable, or his family, or establishment or wages paid to his wife. Traders dealing in articles of consumption or apparel must not satisfy their wants from the business in these things without accounting therefor. The cost of the maintenance of persons assessed in the case of hotels

and restaurants must be estimated and added to the taxable profit. (**11**) Voluntary subscriptions or gifts, whether to charities, trade defence associations, or for employees' outings ; except Trade or Professional Subscriptions, or a subscription by a trader to an infirmary where his workpeople could be sent if injured. (**12**) Any sum paid as Income Tax either on the profits of trade or on the Annual Value of Premises. Property Tax is *not* incurred in carrying on the business, this charge arising out of the *ownership* of property. Income Tax, not being an expense incidental to earning profit, is therefore payable *out of the profits after they are made*. It is not a working expense, but when the income is ascertained, the Revenue requires its share of it, before being distributed, consequently the tax is an *appropriation* of profits and not a *charge* against profits. (**13**) Reserves or Sinking Funds of any kind, whether for general or specific purposes. (**14**) Loss of *Premises* or *Plant* by fire, &c. (**15**) Any average loss under a contract of insurance, beyond the actual amount of loss after adjustments. (**16**) Exhaustion of minerals, or sums expended in pit sinking. (**17**) Premiums paid for leases or on the repayment of debentures. (**18**) Preliminary Expenses in connection with the formation of a limited company or the setting up of any business, or expenses connected with the issue of the debentures. (**19**) Legal charges in connection with the conveyance of real or leasehold property. (**20**) Contributions to Pensions Fund for Employees. (**21**) Loss on a *single* or *casual* transaction forming no part of the usual dealings of a trader, *e.g.*, if a person buys a house for £500 and sells it at a loss of £30, this is not chargeable against his profits.

828. The following **DEDUCTIONS are ALLOWED:** (**1**) Repairs of *Trade* Premises to the persons assessed, including brewers who can deduct from their trade profits the cost of repairs to tied houses let to tenants. (**2**) Supply or repairs of implements, utensils or articles employed, not exceeding the sum usually expended for such purposes according to the average of three years preceding. (**3**) Bad debts, a list of which must be submitted each year ; while Doubtful Debts

may be estimated. (**4**) Rent of *Trade* Premises. If these belong to the firm, then the *net* Assessment under *Schedule A*, sometimes referred as the "net annual value," may be deducted. Repairs of trade premises being allowed, it is not permissible to deduct the *gross* assessment, otherwise there would be a double deduction for repairs. (**5**) **Rent** or Value of any Dwelling-house or Domestic Offices *used for the purpose of business*, as a doctor or dentist, such sum not exceeding two-thirds of such rent or value as the Commissioners shall allow. (**6**) **Wear** and **Tear** of **Plant** and **Machinery** generally in the form of a percentage allowance on the *diminishing* value of the asset, and of Ships on the prime cost, *after* the average profits have been ascertained. No allowance is made for *Wear and Tear* in respect of any **additions** to Plant during the year of assessment; *i.e.*, should the account stand at £5500 at the beginning of the year, and additions to the value of £250 be made during the year, the allowance would be on the £5500 only, *not* on £5750. Depreciation, as generally understood, is *never* allowed as a deduction for taxing purposes, and this term does not occur on the form, *Wear and Tear*, being the expression used in official documents. "Wear and Tear" and "Depreciation" are *not* equivalent terms, though the latter includes the former. The allowance is only intended to cover the cost of replacing *worn out* plant and machinery. **Depreciation** includes decrease of market value also, with which the Commissioners are not concerned. Supposing a machine is capable of working twenty years before being worn out, but is withdrawn at the end of fifteen years, the allowance is immediately discontinued. Should the profit of a given year be too small to admit of the deduction for Wear and Tear, the whole of the balance may be claimed from the assessment of the following year or years. A business man may write off in his own books what he thinks proper for depreciation, and may apply what standard or definition he pleases; but for the purposes of taxation a common

standard, limited to Wear and Tear alone, is allowed in place thereof. The allowance for "Wear and Tear" is often a **uniform rate fixed** by the **Commissioners** of the district, or by the Special Commissioners, who have *absolute discretion* in the matter. A uniform rate is often adhered to at all appeals determined by the Local Commissioners, regardless of the sum claimed by the appellant; *e.g.*, in the Leeds and Huddersfield districts $7\frac{1}{2}\%$ is allowed, while in the Dewsbury and Wakefield districts the allowance is only 5%. Where rent is paid for the use of Machinery or Plant, and the burden of maintaining and restoring it falls upon the *Lessor*, no deduction for *Wear and Tear* is allowable to the *Lessee*. In the case of ships there are also *fixed nominal rates of allowances*, made on the prime or original cost and capital additions, from year to year, in respect of steamers 4%; sailing vessels 3%. A higher rate is sometimes allowed on steam trawlers, *e.g.*, $7\frac{1}{2}\%$ on the diminishing value. If, upon *appeal*, the Commissioners should be satisfied that, from exceptional circumstances, the normal rate is insufficient, a special allowance may be granted. "Wear and Tear" is allowed to a Telegraph Co. upon its cables; to a coal merchant upon his railway wagons (3%), carts (5%), horses (their actual loss of market value). In the case of horses the cost of replacement is often allowed before the average is taken, instead of an allowance for wear and tear. No allowance is made for "Wear and Tear" of many movable articles, such as furniture, billiard tables, scientific instruments, typewriters, calculating and cash machines, &c., as these come in the category of "Implements & Utensils," for which repairs, renewals, and losses thereon may be obtained under clause 2 of this par. When plant or machinery is to be **replaced** by *up-to-date* machinery *before being worn out*, by reason of becoming **obsolete** or out of date, a claim may be made for a deduction from the profits equivalent to the written down value of the machinery replaced, *less* any sum realised by the sale of it; the balance of the cost of the new machinery being an addition to the capital of the business. Thus,

a machine which cost £1000, by wear and tear allowances over a series of years, has been written down to £400, is sold for £50 and replaced by a modern machine at the cost of £1400. The charge against the profits in respect of this transaction is £350, allowed for **obsolescence.** (**7**) Local rates and Taxes on business premises. (**8**) Contributions under the National Insurance Act. 1911, and Superannuation contributions paid in accordance with an Act of Parliament. (**9**) Assurance premiums paid to a company lawfully carrying on business in the U.K., including the premiums paid in respect of "Life and Accident" Assurance on the life of a tax-payer or his wife, in so far as they cover the death risk, or in connection with a contract for a deferred annuity, to an extent not exceeding one-sixth of the total income. (**10**) Loss of *Stock* by fire, &c., *not exceeding the amount in excess* of any sum recoverable under an insurance or contract of indemnity. (**11**) Damages and costs awarded upon a claim for subsidence of the surface owing to the workings of a colliery or quarry. (**12**) Loss by reason of embezzlement, false pretences, burglary, or larceny. (**13**) Bank interest and charges on a Trader's Current A/c. (not on a Loan A/c.), as the Banker pays the tax. (**14**) Directors' Fees, which are now personally chargeable against the directors under Schedule E, as earned income. (**15**) Compensation levies paid by publicans or brewers to the statutory Compensation Fund. (**16**) Royalties on copyright productions, these being personally chargeable against the author or artist, under Schedule D, as earned income. (**17**) Cost of the removal of stock, also the expenses attendant upon the removal of a business, where such removal is *forced*. (**18**) Trade, Sundry, or Miscellaneous Expenses, necessarily incurred in carrying on the business, but details must be supplied to the Inspector, so as to satisfy him that nothing has been included under this general head which is not allowable. (**19**) Travelling expenses, but not cost of living.

829. The following are **not assessable**—(**1**) Premiums received by a Company on the issue of shares,

&c., (**2**) Profit on a single or casual transaction, forming no part of the usual dealings of a trader ; such as a profit on the sales of stocks, shares, &c., although a Stock & Share Broker, being a *dealer* in such, would, of course, be chargeable with tax in respect of his profits. (**3**) Although Bank and other interest received is liable to tax, that received by an investing or depositing member of a Building Society is exempt, when the Society has compounded for the tax by making special arrangements with the Board of Inland Revenue. (**4**) Dividends on Purchases received by members of Co-operative Societies, but Interest on shares or deposits therein are chargeable. (**5**) Profits on appreciation of assets. (**6**) Voluntary allowances or gifts, but not bonuses from employers which are taxable. (**7**) Prize money. (**8**) Farmers' compensation for disturbance. (**9**) Allowances granted by the Ministry of Pensions to widows in respect of their children.

830. ABATEMENTS, relief, or **allowances** are *not* granted to *joint stock companies*, or any other associations, except unregistered Friendly Societies, whether incorporated or not, which are always assessed upon the amount of their actual profits, however small, at the **standard rate** of tax, because a company, not being an individual, cannot claim relief in respect of *earned* income. So far as individual shareholders are concerned their incomes in the shape of dividends are *unearned*. In computing the *total* income the assessable profits of a business, on a three years' average, should be taken *after* deducting the Wear and Tear allowance.

831. Life Assurance Premiums on the life of the taxpayer or his wife, are allowed as a deduction, not exceeding **one-sixth** of the total income, where such Premiums do not exceed seven per cent. on each separate Policy of the sum assured. But this relief, which does *not* apply to Super-Tax, is limited to full-life policies or endowment policies securing a capital sum on death ; and on Deferred Annuities, but not exceeding £100 per annum. Only 2/- in the £ is allowed on premiums in respect of policies taken out

after 22nd June, 1916, after which date no allowance is made for premiums in respect of Deferred Annuities, which do not provide for payment of a capital sum at death. On insurances created before 22nd June, 1916, half the standard rate of tax will be allowed where the total income does not exceed £1,000; three-fourths the rate of tax where the income does not exceed £2,000; and the standard rate where the income exceeds £2,000. An amount paid in commutation of a portion of future annual premiums is not deductible.

832. Marginal Relief of **1/-** in the £ in respect of deductions for Life Assurance premiums is afforded to avoid certain inequalities which arise when the total income falls just below £1000 or £2000. For instance, with a total income of £2000, an allowance at only 3/- in the £ would be made on the Insurance Premium; whereas, with a total income of £2001, the allowance would be 4/- in the £, with the result that the taxpayer with the larger income of £2001 would pay less tax than the one with the smaller income of £2000. To further illustrate this, take the cases of Brown and Jones, each married, without children, and each insured at a premium of £150 per annum. Brown with a total assessable income of £999 and Jones £1002, subject to the personal allowance of £225. Brown would pay tax amounting to £117 6s. 0d.; and Jones, with £3 more income, would only pay £110 8s., or £6 18s. 0d. *less* than Brown. The principle of marginal relief remedies this inequality and entitles Brown to a further allowance of 1/- in the £ on £150, minus tax on £1 @ 4/- = £7 6s. 0d., thus reducing the amount of tax payable by Brown to £110.

833. The Inspector of Taxes may require the last **Receipts** for the **Premiums** to be produced to him before sanctioning the allowance. Premiums *cannot* be treated as a deduction for the purpose of claiming exemption or abatement, but merely for reducing the amount of tax payable. No allowance will be made for premiums unless the space—"Section J" is duly filled up on page 7 of the "Return for Assessment," as follows :—

Section J. | **Claim for Allowance in respect of Life Assurance Premiums or Payments for Deferred Annuities.**

State whether the Assurance or Annuity is on life of "Self" or of "Wife."	Name of Assurance Company or Friendly Society.	Date of Policy or Contract.	Capital sum payable at death—exclusive of any additional benefit by way of bonus or otherwise.	Amount of Premiums to be paid in the year ending, 5th April, 1926.	
				£	s.
John Prudence,	*United Kingdom Temperance Provident Institution.*	*3rd May,* 1914.	£500	20	–

834. In computing the *total income* for *abatement* purposes, any annual interest paid is deducted from the gross income, although such payments are not admissible deductions for assessment purposes. Should a taxpayer have neglected to claim an allowance in respect of Assurance Premiums, he is nevertheless entitled to **repayment** of the tax on such **premiums,** not exceeding six years preceding that in which the claim is made, on sending in a claim upon Form No. 39, which may be had on application to the Inland Revenue.

835. EARNED INCOME, broadly speaking, is that for which the recipient has worked or rendered personal service, and is defined by sub-section **3** of section **14** of the Income Tax Act as (*a*) any remuneration from any office or employment of profit held by the individual, or in respect of any pension, superannuation, or other allowance, deferred pay, or compensation for loss of office given in respect of the past services of the individual or of the husband or parent of the individual in any office or employment of profit, or given to the individual in respect of the past services of any deceased person, whether the individual or husband or parent of the individual shall have contributed to such pension, superannuation allowance, or deferred pay or not ; (*b*) any income from any property which is attached to or forms part of the emoluments of any office or employment of profit held by the individual ; (*c*) any income which is charged under Schedules B or D, or

the rules prescribed by Schedule D, and is immediately derived by the individual from the carrying on or exercise by him of his trade, profession, or vocation, either as an individual, or, in the case of a partnership, as a partner personally acting therein. The **profits** of **businesses** carried on by **sole traders** or **partners** are, of course, earned income, except in so far as it may be shown that any of the members of the firm are *sleeping* partners, in which case the profits of such partners will be taxable as *unearned* income. Tax will also be payable at the higher rate on the amount of any interest or annuity payable by a firm or an individual, except so far as such interest or annuity is paid out of income of the firm or individual which has already paid tax at the higher rate.

836. Unearned or **investment income** may be regarded as income derived without personal effort, and includes :—(1) Income from Investments ; (2) Profits of a Limited or Sleeping Partner ; (3) Interest on Loans ; (4) Income derived from the ownership of property. The profits of limited liability companies are chargeable at the standard or higher rate, as unearned incomes, even where it can be proved that the proprietorship and management are practically the same as that of the firms from which they sprang, or that the limited company is really a " One-man company." This is because a limited company is not an *individual.*

837. Partners cannot claim *separate assessment* in order to obtain **Exemption, Abatement,** or **Relief** in respect of earned income, when their share of income is less than the prescribed limit, but the appropriate allowances will be made against the assessment on the firm. A person carrying on two or more distinct trades is entitled to set off a loss on one against a profit on another. The **Return** for assessment under Schedule D in respect of **partnership profits** must be made on **Form No. 1,** which is used for the Returns of Firms, Companies, Corporations, or other bodies. The **income** of the partnership must be entered on page 3, similar

to Form 11 on a previous page. Page 5 provides for the record of annuities, interest, ground rents, patent royalties, and other annual charges payable by the firm ; also the names and residences of each partner, and the division of the profits. **Individual partners** should, in addition, make separate Returns on **Forms No. 11,** of personal untaxed income, *not* included in the joint or partnership Return, and also complete the appropriate claims for abatements, allowances, or other relief. It should be remembered that Income Tax is a **personal tax,** consequently when the capital of **partners,** their salaries or their share of profits are *unequal*, it is necessary that the tax should be deducted separately from the interest on capital, salaries and profits, otherwise a preferential treatment is accorded to the partner with the greater capital or larger share in the profits.

838. The **income** of a **married woman** living with her husband is deemed to be **his statutory income,** and if exemption, abatement or relief be claimed, or super-tax be payable, the whole of her income, whether taxed or not, must be included in the Return. Either party may apply *before 6th July* to be **separately assessed,** and to have the allowances for the current years equitably divided between them, but the total tax payable will not be affected. Where the parties have separate banking accounts it may be found advantageous to have the tax apportioned according to their respective incomes. Allowances for assurance premiums will be given to the party paying them ; and for children and dependants, to the party maintaining them. Any claim for repayment of tax on a wife's income, which has been jointly assessed, must be made by the *husband*, unless she is separated from him. A married woman **separated** from her husband, can make her own claim for allowances and reliefs without regard to the income of her husband, but documentary evidence of the separation must be produced. The following is an example of separate assessment :—

	Income of Husband.	Income of Wife.
Professional Profits	£1200	£600
Less one-sixth	200	100
	£1000	£500
Less Statutory Allowance on wife's earnings, maximum		45
		£455
Add Gross Dividends from shares..	300	150
	£1300	£605
Less Personal Allowance of £225	150	75
	£ 1150	£530
Less Investment Income already taxed in full at the source	300	150
	£850	£380
Tax payable at half rate on £225....	150	75
Tax payable at standard rate on ...	£700	£305

Tax payable on total of £1005, subject to allowances on Assurance Premiums, if any.

839. Sometimes the **income** of the **estate** of a **deceased person** taken as a whole is not entitled to exemption because it exceeds the sum of £150 per annum. Yet when split up between the respective beneficiaries and considered as the income of several persons, it often happens that hardly any part thereof, or, in fact, none at all, is liable to tax. This most frequently occurs in cases where a testator's income is not large, for instance, £500 per annum, and is bequeathed, say, in equal proportions to his four children, who, if in receipt of no other income, individually receive annually £125. Under such circumstances claim could be made for exemption by each beneficiary, and if the tax has been paid a claim could be made for return of same in respect of the three preceding years. Trustees make claims for infant beneficiaries; adults make claims for themselves. Similarly, where a beneficiary is entitled by bequest to more than £150 per annum, a claim can be made

for the usual abatement. If the tax has been paid claim can be made for repayment in respect of the abatement due for the three preceding years. Such claims can only be made where the beneficiaries have an immediate vested interest in the income. If they have not such an interest the claim must be restricted to the portion expended on maintenance and education.

840. Dominion Income Tax Relief only extends to income arising within the British Empire, consequently there is no relief whatever from the **double taxation** of income derived from foreign countries, outside the Empire. If a taxpayer in the U.K. proves that he has also paid, or is liable to pay, Dominion Income Tax, he is entitled to relief of the **whole** of the Dominion Tax, subject to the **limit** of **one-half** of the appropriate rate of the U.K. Income and Super-Tax. The **appropriate rate** means the **average rate** for which the claimant is liable in the U.K., and is found by dividing the taxpayer's total Income and Super-Tax payable by his taxable income. For instance, if the total unearned income from all sources is £800, less £261 for allowances—£539 taxable income, and the tax payable thereon is £85 6s. 0d., the average or appropriate rate of tax is therefore 3/2 in the £. Presuming that a taxpayer with this taxable income of £539 received £100 of the income from New Zealand, subject to a tax of 1/6 in the £ in N.Z., he is entitled to the repayment by the Inland Revenue of the U.K. of the whole of this £7 10s., because the Dominion Rate of Tax, 1/6 in the £, is less than one-half the appropriate rate of tax of 3/2 in the U.K. Take another illustration where the income of a taxpayer is subject to U.K. tax at 3/6 in the £, and Dominion Tax at 2/6 in the £, the relief would be one-half of the U.K. rate of tax—1/9 ; thus resulting in a net Dominion Tax of 9d. in the £, which is not recoverable in the U.K.

841. Residents abroad, whether British subjects or otherwise, are liable for the **standard rate** of tax on income, including profits made through agents, arising in the U.K. Residents in the **Irish Free State** are exempt from the income tax levied in Great Britain, and *vice-versa*.

British subjects resident abroad are entitled to the relief or allowances such as are granted to residents at home, provided that such relief must be calculated on the real total income, wherever arising, and the British portion charged at the average rate applicable as if the total income were British. Non-residents are *not liable* to tax on **foreign** and **colonial income,** and are therefore entitled to repayment of any tax deducted on such income, as well as in respect of interest on most of the War Loans. Anyone spending a total of six months in the U.K. in any year ending 5th April, or establishing a residence for himself or his wife in the United Kingdom, loses the right to be classed as a non-resident.

842. **Crown** and **Protectorate servants,** whether retired or not, and their widows, British Missionaries abroad, and British subjects living abroad for reasons of health, also persons living in Northern Ireland, the Isle of Man and the Channel Islands, are entitled to the same relief and allowances as if they were resident in the U.K.

843. In the autumn the Clerk to the Commissioners issues a **Notice of First Assessment,** showing the amount at which one has been assessed, irrespective of whether a Return has been made or not. If the amount stated agrees with the Return, all is well ; but should it be excessive, written **notice of appeal,** stating the grounds thereof, may be given to the Inspector within 21 days of date of the assessment. It does not follow, however, that a personal appearance before the Commissioners is necessary. It is first usual to seek an interview with the Inspector and explain the cause of dissatisfaction, producing the accounts prepared on the occasion of compiling the Return in support of the case. Should the trader succeed in satisfying the Inspector, the latter will place the accounts before the Commissioners, and the appeal will be allowed. It is only when the Inspector and the appellant cannot agree that a personal attendance before the Commissioners becomes necessary on a day of which due notice is given. A **copy** of the **accounts** upon which the Return is based

signed by the appellant should be transmitted to the Inspector seven clear days before the day of appeal. The appellant is entitled to be represented before the Commissioners by a barrister, solicitor, or an accountant. If dissatisfied with the decision of the Commissioners, such dissati faction must be expressed at the conclusion of the hearing, particularly if it be the intention to appeal.

844. **Payment** of the first instalment of tax becomes due on the 1st January in each year (three months before the expiration of the financial year) and should be remitted to the authorised collector by means of a Money Order drawn in favour of the *Commissioners of Customs & Excise, London,* if the amount does not exceed £40 ; in other cases a cheque similarly payable and crossed *Account of Payee only*, and marked *Not Negotiable*, should be used. **Payment** of **Tax** by **instalments** in respect of the **income** of persons and firms (*not* limited companies) under **Schedules A, B, D, E,** is now provided for, the first equal instalment being payable on the 1st January, and the second on the 1st July. A **Discount** at the rate of 2½ per cent., *per annum*, is allowed on the amount of the second instalment under Schedule D, if paid before 1st July, in the year of assessment.

845. In order to **facilitate** classroom work when dealing with **exercises** on the subject of Income Tax, the **allowances** for Assurance Premiums, &c., and Wear and Tear of Machinery should always be **deducted** *after* average has been ascertained. The amount of Life assurance premiums claimed should be the *actual* amount payable in the year of assessment. The Wear and Tear allowance must be based on the value of the Plant and Machinery at the beginning of the year of assessment. It must not be forgotten that while the Claim for Assurance Premiums (not exceeding one sixth of income) is sure to be allowed, this is not so with reference to the Claim for Wear and Tear, in regard to which the Commissioners may allow "such deduction as they may think just and reasonable." Students should,

of course, see a copy of the foolscap form, *Return for Assessment under Schedule D*, and note the principal matters on each page. **Students** should remember that the **standard rate** of tax is always charged on the profits of **Limited Companies** and Corporations. Formerly the full tax was 1/- in the £, so that any exercises worked at the time this rate was operative are quite correct, notwithstanding that the tax is now 4/- in the £. On this page are given some particulars from which a **Statement** is compiled, showing the taxable profit. In addition to the special exercises on Income Tax it is excellent practice, after having worked an ordinary exercise containing Trading and P. & L. A/cs., to prepare a short Statement showing the Income Tax adjustments in respect thereof, although it be for one year only.

Example 1. (*Key on next page.*)

PARTICULARS from PROFIT & LOSS A/cs. as shown in the Private Ledger of Messrs. Taxpayer & Co.

Year ended 31st December.	1922.	1923.	1924.
Net Profit	£5000	..	£3000
Net Loss	..	£100	..

1.	Life Assurance. Premium charged to Drawing A/c.	£50	£50	£50
	The following amounts had been charged or credited before arriving at the above Profit or Loss.			
2.	Interest on Mortgage	100	100	100
3.	Interest on Capital	300	340	290
4.	Subscriptions and Gifts	20	25	25
5.	Paid Ground Rent	40	40	40
6.	Depreciation of Machinery	76	68	66
7.	„ Buildings	25	23	21
8.	Income from Farms and Cottages (net)	450	410	415
9.	Income on Investments	90	107	124
10.	Partners' Salaries	500	500	500
11.	Bank Interest and Charges	76	93	58
12.	Repairs of Premises and Plant, etc.	40	52	38
13.	Fire Insurance	10	10	10
14.	Paid Income Tax, Schedule D	10	10	10
15.	Paid Income Tax @ 1/- in respect of Business Premises, Schedule A	15	15	15

Answer to Example 1.

Schedule D, year ending 5th April, 1926.

STATEMENT, dated **1st June, 1925,** of **Profits** and **Losses** of *Messrs. Taxpayer & Co.* for Income Tax purposes for the three years ended 31st December, 1924.

	1922.	1923.	1924.
Profit as per Books	£5000		£3000
Add to profits (deductions not allowed)			
2. Interest on Mortgage	100	100	100
3. Interest on Capital	300	340	290
4. Subscriptions and Gifts	20	25	25
5. Ground Rent	40	40	40
6. Depreciation of Machinery	76	68	66
7. Depreciation of Buildings	25	23	21
10. Partners' Salaries	500	500	500
14 and 15. Income Tax	25	25	25
	6086	1121	4067
Loss as per books		100	
	6086	1021	4067
Deduct from profits (8) Income from Farms, &c. (9) Income from Investments. (15) Annual Value of Business Premises, £300	840	817	839
	£5246	£204	£3228

£5246 + £204 + £3228 ÷ 3, £2892 13 4, being the **Average** or **Statutory** income to be stated on page 3 of the Return.

846. In the above **Statement** *no deduction* must be made for Depreciation of Machinery, but the **Allowance** must be claimed on page 3 of the Return. Presuming that the Commissioners allowed the £66 for Depreciation of Machinery, the *net* assessment would be :–

	£2892 13 4
Less Wear and Tear of Machinery	66 – –
Taxable income	£2826 13 4

From this amount there will be the usual deduction in respect of earned income from the share of each partner of the firm, and also the allowance of tax on the assurance premium.

847. Claims for **Relief** in the case of business and professional profits under Schedule D can only be made in respect of (**1**) Diminution of profits in new businesses ; (**2**) Diminution of profits in discontinued

businesses ; (**3**) Actual loss arising from general causes during the year of assessment ; (**4**) Diminution of income from a " specific cause."

848. NEW BUSINESSES. Where a person liable to income tax in respect of any trade, profession, or vocation which has been commenced within the period of **three years,** upon the average of which the profits are to be taken, or within the year of assessment, proves at the end of the year of assessment that the **actual** profits arising therefrom fall short of the profits as computed in accordance with the Act, he is entitled to be charged on the *actual* amount of the profits so arising instead of on the amount of the profits so computed, and, if he has paid the full amount of the tax on the profits so computed, he is entitled to repayment of the amount overpaid. For instance, Smith, who commences business on the 1st March, 1923, will receive from the Assessor of Taxes, in the following month, the form of Return of Assessment, to be filled up in respect of the financial year, 6th April, 1923, to 5th April, 1924. It is quite clear that Smith can only **estimate** his profits for the current year, 1923-24, say, on the basis of a ten per cent. profit on his turnover of £500 for the month of March, *i.e.*, £600 per annum. This £600 must be inserted at the top of page 2 of the Return, as *estimated average profits.* If Smith's Trading A/c. for the first year, ending 28th February, 1924, shows that he has only made a profit of £500, he may claim the return of the tax on the *excess* of £100. In the **second year** Smith will be assessed on the *actual* profits of the first year, £500 ; but, again, should Smith's Trading A/c. for the second year, ending 28th February, 1925, show that he has only made a profit of £400, he may claim the return of the tax on the *excess* of £100. In the **third year** Smith will be assessed on the *average* of the first two years, £450. Should Smith's Trading A/c. for the third year, ending 28th February, 1926, show a profit of £400, he will be entitled to the return of the tax on the *excess* of £50. As soon as three years have elapsed since the end of the year in which the

concern commenced, the power to obtain such a revision at the end of the assessment year ceases. If the profit for the second year had been £1000 instead of £600 the Inland Revenue could not have claimed tax on the increase, except through the medium of the averages of subsequent years.

849. DISCONTINUED BUSINESSES are entitled to have the assessment for the **last year** reduced to *actual* profits ; as well as those for the *three previous years*, if the total tax paid exceeds the amount which would have been assessable on the actual profits of each of those years. This is intended to relieve the taxpayer of the hardship caused by the system of averaging the profits of a *declining* business which is to be *discontinued*. For example, a trader decides to discontinue his business, on the 31st December, 1925, his statutory profits for the six preceding years being :—1919, £1800 ; 1920, £1500 ; 1921, £1200 ; 1922, £900 ; 1923, £600 ; 1924, £500.

Assessment for 1922-23 :—		
£1800 + £1500 + £1200, average ...	£1500	
Less Actual Income for 1922	900	£600
Assessment for 1923-24 :—		
£1500 + £1200 + £900, average	£1200	
Less Actual Income for 1923	600	£600
Assessment for 1924-25 :—		
£1200 + £900 + £600, average	£900	
Less Actual Income for 1924	500	£400
Total amount upon which Tax is repayable		£1600
Assessment for 1925-26 :—		
£900 + £600 + £500, average	£666 13 4	

This would be reduced to the actual profit from 6th April, 1925, to 31st December, 1925, say three-fourths of the profits for the year to 31st December, 1925.

850. Actual Loss in business *during the year of assessment* may be the subject of a claim for **adjustment,** and where tax has been paid, for a return thereof. In other words, a loss in the year of assessment may be

set off against taxed profits either by means of a claim for repayment or by way of non-collection of tax, so far as any remains uncollected. **Notice** of the claim must be given to the Inspector of Taxes within 12 months after the year of assessment. When such an adjustment for loss is granted, the amount of the loss *cannot* afterwards be used for reducing the assessable average in arriving at the assessment in future years. As it may sometimes be more profitable to forego a claim of this kind, it should therefore be considered in all its bearings before being made. The following is an example of where a claim is advantageous. Roberts, a cloth merchant, made up his accounts at the end of June each year. His profits, as agreed by the Inspector of Taxes, were, in June, 1919, £698; June, 1920, £846; June, 1921, £1341, resulting in the average assessment for the year 1922–23, of £962, the tax thereon becoming payable in January and July, 1923. The **slump in trade** set in with the Budget of 1920 and continued throughout 1922, with the result that the Trading A/c. of Roberts for the year ending June, 1922, showed a **loss** of £452. When Roberts received his assessment of £962 in October, 1922, he sent in **Notice** of **Appeal** on the ground of the *actual loss* sustained during the year of assessment, and claimed relief under Section 34 of the Income Tax Act, 1918. After making the necessary Declaration as to his total income from all sources on the Form provided, and thus satisfying the Inspector as to the accuracy of the figures, the claim was allowed, and the loss £452 was deducted from the original assessment of £962, thus making the new assessment £510.

851. Diminution of **income** in the business or professional profits of either individuals or Companies arising from a **specific cause,** such as death, bankruptcy, stoppage of business, strikes, fires, changes of ownership or partnership, is good ground for reclaiming a reduction of the assessment to the *actual result* of trading, and if tax has been paid, to claim for repayment. Diminution of income merely arising from general

causes, such as a slump or bad trade, does not constitute a "specific cause." Such a claim for adjustment must be made within *three months* after the end of the year of assessment.

852. Repayment of **Tax,** deducted on the payment of interest, dividends and rent, may be obtained for a period not exceeding the **six years** previous to that in which the claim is made, by any *individual*, who can prove his title thereto. A taxpayer whose income is solely or chiefly derived from **investments,** should be careful to claim a repayment of tax in respect of the personal and other **allowances** to which he is entitled. For example, take the case of John Smith, with a wife, and four children under 16 years of age, whose total income of £600 per annum, is derived from shares in limited liability companies. Smith pays a Life Assurance Premium of £20 a year. The tax at the standard rate of 4/-, amounting to £120, is paid by the companies. As Smith is entitled to an abatement of £225, as well as an allowance of £117 in respect of his four children, also to a return of the *difference* between the standard and lower rates on the balance of his unearned income, he should claim a repayment of £92 18s. 0d., as he is only liable for £27 2s. 0d., made up as follows :—

Unearned or Investment Income		£600
Less Personal Allowance	£225	
„ Allowance for 4 Children	117	342
		£258

Tax on £225 @ half standard rate, at 2/- in the £..	£22	10	–
Tax on £33 @ full standard rate, at 4/- in the £..	6	12	–
	£29	2	–
Less Allowance for Assurance Premium, £20 @2/-	2	–	–
Total Tax chargeable	£27	2	–

Corporations and **Companies** when remitting interest and dividends to stockholders and shareholders usually do so by means of a combined **Dividend Notice** and **Warrant,** perforated across the middle, so that the *lower part* or Warrant, stamped like a cheque, may be

detached for cashing. The following is a specimen of the *top part*, notice or voucher, and this must be attached to any Form of Claim for repayment of tax in respect of the interest or dividend it represents :—

The Castner Kellner Alkali Company, Limited.

DIVIDEND NOTICE AND WARRANT (17.)

13 Abchurch Lane, London, E.C.
28th November, 1926.

Herewith I beg to hand you a Warrant on the Bankers of the Company for Dividend at the rate of £20 per cent. per annum for the six months ended 30th September, 1926.

On *200* Shares of £1 each	£20 – –
Less Income Tax at 4/- in the £	4 – –
	£16 – –

I hereby certify that the Income Tax deducted will be duly paid to the proper official for the receipt of Taxes.

By order,
PERCY S. COURT,
Secretary.

To *John Jones, Esq.*

853. Application for **repayment** must be made upon a **Form** of **Claim** obtainable from H.M. Inspector of Taxes for the district in which the applicant resides. This form should be filled up and returned together with the **dividend certificates** or other **vouchers** received from the Corporations, Companies, Tax Collectors, Mortgagees, or persons who have deducted the tax. Where no certificate has been received, showing the deduction of tax, say between a mortgagor and a mortgagee, application should be made to the Inspector of Taxes for a copy of **Form R 185,** which should be filled up by the mortgagor and returned to the mortgagee, so that the latter may attach it to the Claim for Repayment. **Certificates** are **not** required when claiming repayment of tax deducted on the 4% War Loan, Government Annuities, and payments received from the Supreme Court Pay Office, but claimants must furnish full particulars as to the name and description of Stock or Annuity, how received, the total amount of Stock held, and the date when the dividends become due.

854. No dividends are ever paid **free of Income Tax.** The statement that " the dividends are free of Income Tax " merely indicates that the *gross* dividend declared will be paid to the shareholder, who will *not* be required to pay any further tax upon this source of income, as the company has already paid the tax at the higher rate, upon the whole of the profits earned. No *individual* shareholder is ever called upon to pay Income Tax upon dividends received from a public company carrying on business in the United Kingdom ; on the contrary he may be entitled to the return of tax on all or some of such dividends, as well as probably to some abatement or relief. When claiming the repayment of tax deducted on Interest or Dividends stated to be paid FREE OF TAX, care must be taken to claim the **full amount** of the tax on the **gross dividend.** To take a very simple illustration, suppose that the rate of Tax is 4/- in the £, and that the **net dividend** received is **£36 free of Tax,** in claiming repayment of Tax on this £36, the amount is not 4/- in the £ on £36 = £7 4 0, but 4/- in the £ on the **gross dividend of £45,** which, of course, equals **£9,** a difference of **£1 16 0.** It will thus be seen that one-fourth must be added to the net dividend received to arrive at the gross dividend.

855. The **first page** of the **Claim** for **Exemption** must be filled up as shown below. The **fourth page** merely contains the Instructions.

INCOME TAX - EXEMPTION CLAIM.

The following particulars must be furnished by claimant—

Full name of claimant	*Emma Lester.*
If a lady, whether widow or spinster	*Widow.*
Residence	110, *Church Street, Leeds.*
Occupation (if none, or retired, state "none")	*Draper.*
Money Order office at which repayment is desired	*Leeds.*
Name of Agent (if any)	*Arthur Fieldhouse.*

I hereby authorise *Mr. Arthur Fieldhouse,* of 66 *Trinity Street, Huddersfield,* to receive on my behalf the repayment due upon this claim.

Signature of Claimant—*Emma Lester.*

Date—10*th June,* 1926.

SECOND PAGE of FORM of EXEMPTION.

Declaration of Income.

I declare I am resident in the United Kingdom and that the following is a true account of my income **from every source,** whether taxed or not, for the year to the 5th April, 1926, and I therefore claim to be repaid the sum of £6 12s.

Date. *10th June, 1926.* Signature, *Emma Lester.*

The claimant must set forth every source of his income, with the amount derived from each source for the year, whether tax has been paid on it or not, and notwithstanding that the income may have been received "free of tax" or "tax compounded."

If you are a married man, you must include the income of your wife from all sources, and must also complete Section B opposite.

No. 1.—Source of Income.	Amount before deduction of tax (full amount for the year to be stated) £	s.	d	Amount of Income Tax paid on or deducted from each source of Income. £	s.	d
1. *Occupation as Draper*	68	-	-			
2. *Owner and Occupier of house and shop at* 110 *Church Street, Hunslet, Leeds, assessed to the Poor Rate at*	22	-	-			
3. *Leeds Corporation Stock* , £200 *at* 3½%	7	-	-	1	8	-
4. *J. Watson & Sons, Ltd., £200 Preference Shares at* 5%	10	-	-	2	-	-
5. *Castner-Kellner Alkali Co, Ltd.,* 100 *Ordinary Shares at* 20%	20	-	-	4	-	-
Total amount of Income and Income Tax thereon £	127	-	-	£7	8	-

No. 2.—Particulars of Charges on Income such as Ground Rent, Annual Interest, &c.

Nature of the Charge.	Name & Residence of the Person to whom payable.	Annual Amount. £	s.	d.
(*a*) Ground Rents..	*Earl of Mexbro'*	4	-	-
(*b*) Mortgages or Loans £ at per cent				
(*c*) Annuity or Other Annual Charges				
Total Charges and Income Tax thereon		4	-	-
Total Amount of Income less Charges, and amount of Income Tax claimed to be returned		123	-	-

				£	16	-
				£6	12	-

How to Fill up the RETURN for ASSESSMENT. under Schedule D.

856. Henry Sykes is a Corn Dealer. He owns and occupies a **Leasehold Farm** with a gross annual value of £80, the **Ground Rent** being £10 per annum. He owns six **Freehold Cottages,** the gross rental of which is £60. Sykes is a holder of £600 worth of 3½% **India Stock,** and is a **Director** of the Hillside Laundry Co., Ltd., for which he receives a **fee of £20** a year. He has received from the Union Bank **£6** for Interest. His **wife** has an annual income of **£21** from Leeds Corporation **3½% Stock.** The **Life Assurance Premiums** payable to the General Life Assurance Co. on the life of Sykes and his wife are respectively **£20** and **£10**. There are **three children** living all under 16 years of age. The **Statutory Income** of Sykes in respect of his business as a Corn Dealer was for **1922-23, £270,** for **1923-24, £300.**

Profit & Loss A/c. of **Henry Sykes,** for the year ending 31st December, 1924.

Dr.			Cr.	
To Wages	£140	By Gross Profit from Trading A/c.	£710	
„ Carriage	32	„ Discount	26	
„ Rent and Rates	53			
„ Gas & Water	16			
„ General Expenses	13			
„ Bad Debts	14			
„ Income Tax	5			
„ Depreciation of Fittings	10			
„ Interest on Loan of £200 at 3½%	7			
„ Life Assurance Premiums	30			
„ NET PROFIT	416			
	£736			£736

As the four last debit entries in the above P. & L. A/c., viz. :—Income Tax, £5 ; Depreciation, £10 ; Interest, £7, and Assurance Premiums, £30 ; are **not** allowed as deductions, the total, **£52,** must be added to the Net Profit of **£416,** thus making the **Statutory Income** for **1924, £468.** This amount added to the Statutory Income of the two previous years, **£270** and **£300,** will give a **total of £1038,** with an average of **£346.** This amount must be entered at the **top of page 3** of the **Return for Assessment.** In entering the Particulars of Income on page 5 of the Return, the **gross** amounts of all interest and dividends must be

inserted, *not* the net amounts after the deduction of tax. When the amount received is "free of tax," the amount of tax must be **added** to arrive at the **gross** figure. The **Claims** for the allowance of the **Assurance Premiums** and for relief in respect of **Wife** and **Children** must be filled up on **page 6.**

Income-Tax, Year 1925-26, ending 5th April, 1926.

Section **B.**	Page 3. Statement of Untaxed Income for Assessment under Schedule D.	Amount
	FROM TRADE, PROFESSION OR VOCATION of *Corn Dealer*, carried on by *me* at *Market Street, Longton.* (*Average profits*)..	346
	Interest on Banking Accounts or Deposits	6
	TOTAL..	352
	Less, in the case of Trade, Amount claimed for Wear and Tear of Machinery and Plant which should *not* be deducted in arriving at the amount returned above.	–
	NET TOTAL..	£352

General Declaration. I declare that in the foregoing statement I have given a full and true Return of the whole of the Income chargeable upon me under Schedule D, estimated to the best of my judgment and belief, according to the provisions of the Income Tax Acts. I desire to be assessed by the *District Commissioners.*

Given under my hand this *first* day of *May*, 1925.

Henry Sykes, Signature.
61 Market Street, Longton, Business Address.
Holly Farm, Longton, Private Residence.

Section J. Relief in respect of Life Assurances or Contracts for Deferred Annuities.

State whether the Assurance or Annuity is on life of "Self" or of "Wife."	Name of Assurance Company or Friendly Society.	Date of Policy or Contract	Capital sum payable at death—exclusive of any additional benefit by way of bonus or otherwise.	Amount of Premiums to be paid in the year ending 5th April, 1926. £	s.
Henry Sykes,	*General Assurance Co.*	*3rd May,* 1900	£500	20	–
Mary Sykes,	*ditto.*		£250	10	–

Section C.

Return of Total Income—to be made by every individual claiming any allowance, deduction, or reduced rate of tax.

The Claimant must set forth every source of his Income, with the amount derived from each source, whether tax has been paid on it or not, and notwithstanding that the Income may have been received "free of tax" or "tax compounded." The word "None" should be written in any of the spaces (*a*) to (*f*) under the heading of which the claimant has no income. If there is not sufficient room to set out the Income in full hereon, particulars may be given on a separate sheet and the totals brought to this page.

No. 1.—Particulars of Income.	Amount. £	s.	d.
(*a*) Total brought forward from foot of Page 3.	352	–	–
(*b*) From any Public Office or any Employment not entered above. (*Name and Address of Employer to be stated*):— *Fee as Director of Hillside Laundry Co., Ltd.*	20	–	–
(*c*) From Property, including the annual value of the property which I own and occupy: (*Precise address to be stated.*) *Holly Farm Longton*	70	–	–
6 Cottages, Nos. 12 to 22 South Street, Longton	50	–	–
(*d*) From the Occupation of Land:— *Holly Farm, Longton*	80	–	–
(*e*) From Dividends, Interest, Annuities, Dominion and Foreign Securities and Possessions, and any Income not already entered elsewhere on this page, viz.:—(I) Income subjected to U.K. Income Tax before receipt. (II) Income not subjected to U.K. Income Tax before receipt. £600 3½% *India Stock*	21	–	–
(*f*) Wife's Income, if not included above (*giving full particulars and stating whether subjected to U.K. Income Tax before receipt or not. If included above, it should be so stated; should there be no Income from this source, the word "None" should be inserted*):— £600 *Leeds Corporation* 3½% *Stock*.....	21	–	–
Total.....	614	–	–

No. 2.—Particulars of Charges on Income. If there are no Charges write "None." It is not sufficient to leave this space blank. (*Life Assurance Premiums should not be entered here, but on page 4.*)	Annual Amount payable. £	s.	d.
Ground Rent on *Farm* payable to *Duke of Leeds*.....	10	–	–
Mortgage on Loan:— £200 at 3½% from *John Smith* on	7	–	–
Annuities, payable to			
Patent Royalties, payable to.....			
Other Annual Charges (if any), viz.....payable to.....			
Total Charges.....	17	–	–
Total Amount of Income FROM ALL SOURCES less Charges.....	597	–	–

I declare that the above statement contains a full, just, and true account and return of the Whole of my Income from every source whatsoever, for the year ending the 5th day of April, 1926, estimated according to the provisions of the Income Tax Acts, and I therefore claim the relief to which I am entitled in virtue of the facts so stated.

A Woman must state after her signature whether *married, Widow or Spinster.*

Given under my hand this *first* day of May 1925.
Signed, *Henry Sykes.*
Private Residence, *Holly Farm, Longton.*

Page 6.

Section D.	Claim for Relief in respect of Wife, living with her husband.

Full Christian Names of my wife, who is living with me, or is wholly maintained by me *Mary*

Section G.	Claim for Relief in respect of Children, including Step-Children, or adopted Children.				
Name of each child under the age of 16 years on 6th April, 1925.		Date of Birth.			Place of Birth.
Surname.	Full Christian Names.	Day.	Month.	Year.	
Sykes	Arthur	10	Feb.	1912	Longton
Sykes	Harry	12	Dec.	1914	Do.
Sykes	Herbert	5	Oct.	1917	Do.

857. After **completing** the "Return for Assessment," make a **copy** of all the details entered therein, for reference when preparing the next Statement. **Send** the "Return" by post to the local **Assessor of Taxes** in the printed (official paid) envelope, which generally accompanies the Form. In due course Henry Sykes would receive from the Clerk to the Commissioners of Income Tax a **Notice of Assessment of Tax,** and intimating that in case of intention to appeal against the assessment, notice of objection must be given in writing 21 days from the date thereof to the Inspector of Taxes. At the end of the year Henry Sykes would receive the usual **Demand Note** from the Collector, requesting the payment of the duty, one half of which (subject to the usual abatements and allowances) would become payable on the 1st January, 1926, and the other half on the 1st July, 1926.

858. The **total income,** from all sources, of Henry Sykes, as shown on page 5 of the Return for Assessment, is **£597.** As a **married** man, Sykes is entitled to the **personal allowance** of £225; plus £90 in respect of his three children; plus £74 6s. 8d. being one-sixth of

(£446) his earned income ; plus £3 0s. 0d. being 2/- in the £ on the assurance premiums.

859. The **income** of Henry Sykes is classified below in accordance with the **Schedule** under which it would be taxed, and is divided into two columns showing the income taxed (**1**) by **deduction** at the source, (**2**) by **direct** assessment on Sykes. When paying the Ground Rent, £10, to the Duke of Leeds, and the interest on the Loan of £200, to John Smith, tax would be deducted at the full rate by Sykes.

Schedules and Nature of Income.	Deducted at source.			Paid direct by Sykes.		
Schedule A. *Unearned income.*						
Holly Farm, Leasehold, gross annual value £80						
Deduct £10 for Repairs				70	-	-
6 Freehold Cottages, gross annual value £60						
Deduct £10 for Repairs				50	-	-
Schedule B. *Earned income.*						
Occupation of Holly Farm, gross annual value				80	-	-
Schedule C. *Unearned income.*						
Interest at 3½% on £600 India Stock, tax being deducted by the Bank of England.	21	-	-			
Schedule D. *Earned and Unearned income.*						
Average Profits of Corn Business £346 Subject to the usual abatement and allowances				346	-	-
Interest at 3½% on £600 Leeds Corporation Stock, tax being deducted by the Corporation, which would be assessed upon its statutory profits	21	-	-			
Interest received from the Union Bank				6	-	-
Schedule E. *Earned income.*						
Director's Fee, Hillside Laundry Co., Ltd.				20	-	
Total Taxable Income of Sykes....	£42	-	-	£572	-	-

Income Tax Exercise 1.

Prepare an Income Tax return showing the amount payable under Schedule D for the year ending 5th April, 1921, from the following particulars :—Net Balance of P. & L. A/cs., 1917, Profit £1500 ; 1918, Loss £400 ; 1919, Profit £900. The following had been debited to the A/cs. before arriving at these balances :—Int. on a Mortgage of £4000 at 4% each year, Bank Int., 1917, £30, 1918, £40; 1919, £20 ; Int. on Cap. £500 each year. An amount of £100 had been written off each year on A/c. of Goodwill, and the following amounts had been charged for Income Tax :—1917, £75 ; 1918, £45 ; 1919, £60.

Income Tax Exercise 2.

John Jones died on 31st March, 1920, without paying the Income Tax due on 1st Jan., 1920. What amount should you, as Executor, pay on the following private A/c. for the year up to his decease :—

Premiums on Life Assurance	£300	Dividend from Companies from which Tax has been deducted	£1000
Interest on Loan after deducting Tax	200	Interest on Bank Deposits	250
Paid off Loan	2500	Rents upon which tax has been allowed under Schedule A	500
House Rent	150	Interest on Mortgages from which tax has been deducted	800
Living Expenses	1500	Salary as Managing Director of Companies	2000
Charities	100	Shares of profits on a joint venture in a shipment of goods to Siberia	1000
Invested	200		
Losses on speculation on Stock Exchange	600		

Income Tax Exercise 3.

A Colliery Proprietor's books showed profits in 1915, £2000 ; 1916, £1500 ; 1917, £8000 ; 1918, £6500 ; 1919, £3000. In arriving at these results, £500 for his services, £800 for Int. on Cap., £250 for Income Tax paid, £50 for Charities, £750 for Mine Rents or Royalties, £80 Contribution to the Colliery Owners' Defence Association, £350 for Depreciation of Plant, and £200 for Exhaustion of Freehold, had been charged each year, and in 1916 a payment of £35 for legal expenses on the purchase of the freehold.

Income Tax Exercise 4.

Clay, Fry, and Hill carried on business, sharing results equally. They owned their own works, which were assessed for property tax at £800. Their books showed the following profits : 1917, £2600 ; 1918, £3000 ; 1919, £2500 ; in arriving at which, Salaries of partners £900, Interest on Capital—Clay on £15000, Fry on £7000, and Hill on £5000 at 5%, Bank Int. £250. Depreciation of Buildings £400, and of Machinery £750 (7½%), Income Tax paid £150, and Property Tax £33, were charged, and Dividends from investments £95 were credited, each year, and £50 loss on sale of shares was charged in 1919. Clay's life was insured for £1000, upon which *he* paid a premium of £30 a year. Make up the A/c. for Income Tax 1920-21, and apportion to each partner the amount upon which tax would be payable. The rate of tax was 1/- in the £.

Income Tax Exercise 5.

Dean, Hall, and Thorp carry on in partnership the business of tailors, sharing profits after charging partners' salaries and int. on cap., equally. They are entitled to 5% int. on cap., Dean £2000, Hall £1000, Thorp £500. They draw as salary per week—Dean £5, Hall £3, Thorp £4. The net profits of the business, after debiting to P. & L. A/c. the above items, and also Loan Int. £50, Depreciation of Freehold Premises owned by the firm £50, Bank Int. and Charges £35, and Depreciation of Tools and Machines £25, are as follows :—1917, £600 ; 1918, £615 ; 1919, £750. The net assessable value of the firm's premises is £50. Income Tax, both Schedule A and Schedule D, is charged directly to the partners and not passed through the P. & L. A/c. Make out A/c. showing the amount upon which the firm should be assessed under Schedule D for the year 1920-1. Show the amount upon which each partner would be liable to assessment.

Income Tax Exercise 6.

King, Barr, and Lord are partners. Net profits, after paying int. on cap. and management salaries of £200 to King and £300 to Barr are divided equally. Lord put in £6000, on which he receives 5%, King and Barr put in no cap. Lord has a private income of £2000 per year, in respect of which he makes a separate return to the Income Tax Authorities, leaving the tax on his income from the business to be settled by the firm. King and Barr have no private income. The firm returns its assessable profits which are accepted by the Inspector, for the year to 31*st December*, 1917, £900 ; 1918, £1200 ; 1919, £1800 ; 1920, £2500. Upon what amount is tax payable by each member of the firm ?

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I HEREBY CERTIFY that to the best of my knowledge and belief all transactions relating to the business are correctly entered in the books of account which have been produced to Messrs. _____
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I FURTHER CERTIFY that the amounts entered in the books as purchases are restricted to the cost of goods (*a*) forming part of the stock, the value of which is stated below, or (*b*) sold and credited as sales in the Trading Account.

I FURTHER CERTIFY that the whole of the Stock-in-trade of _____ _____wherever situated on the _____is shown in the Stock Sheets produced to Messrs._____
and amounts to £_____:_____:_____.

I FURTHER CERTIFY that the Stock is valued at cost or, if under cost, at the market price ruling on the date of stock-taking, on the same basis as hitherto, and that no deductions have been made from the value of the stock in arriving at the above figures, which represent its total value to the best of my knowledge and belief.

I FURTHER CERTIFY that no reserves whatever have been created beyond those disclosed on the face of the Balance Sheet sent to the Inspector of Taxes.

Dated this_____ day of_____192 .

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The well-known Examiner, Mr. EDWARD A. COPE, in a letter to the Editor says:—"I doubt whether writers and students of Pitman's Shorthand realise at all adequately the advantages offered to them by the splendid magazine literature which the art has produced. Month after month and year after year they have been served by periodicals which have aimed at providing reading matter interesting in itself and of special help to Phonographers, presented in a style in which perfect accuracy of outline has been combined with beauty of form. Among the magazines which have thus kept a high standard of phonographic excellence before their readers the "PHONOGRAPHIC MONTHLY" took a prominent place. That place it has consistently maintained. It gained it, and it has kept it, by sheer merit."

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National Union of Teachers.

Elementary		1908	147
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Advanced		1903	615
,,		1904	617
,,		1905	618
Advanced		1906	619
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Lancashire & Cheshire Union.

Junior		1907	225
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Institute of Secretaries.

June		1905	661
December		1905	662
June		1906	663
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A **Teacher** under the **London County Council** writes:—Please allow me to express my gratitude for your **valuable Keys.** I am at present taking about 60 students a day at all stages of Book-keeping, and the fact that I have been able to satisfy all their varying requirements and correct their exercises, without encroaching upon my leisure, **speaks more highly** for the **utility** of the **Keys** than any encomiums. To me, at any rate, the volumes **are worth more than their weight in gold.**

THE EVIDENCE before the COURT

is that 1000 GOLD, SILVER and BRONZE MEDALLISTS and PRIZE WINNERS have used

"The Student's Book-keeping."

MEDALLISTS OF THE ROYAL SOCIETY OF ARTS.

1897 JOSEPH MEARS.
1898 WILLIAM H. SMITH.
1899 ERNEST BAILEY.
1900 ERNEST HUDSON.
1900 THOMAS J. HEARN.
1901 ERNEST G. ELLIOTT.
1901 JOHN WM. TODD.
1902 GEORGE E. HALL.
1902 JOHN E. RHODES
1902 ARTHUR V. HUSON.
1903 EDWIN NICHOLL.
1903 VINCENT E. COLLINGE.
1903 EDGAR J. SHEPHERD.
1903 ALLAN HILL.
1903 GEORGE A. LEE.
1903 JOHN B. HYDE.
1903 LANDER J. W. COMLEY.
1903 HERBERT H YOUNG.
1904 ALBERT F. SAUNDERS.
1904 WILLIAM LANGFORD.
1904 WILLIAM H. BROWN.
1904 WILLIAM O. RILEY.
1904 HAMILTON H. STOKES.
1904 FRED B. SHARP.
1904 DAVID L. EVANS.
1904 HAROLD S. MITCHELL.
1905 EDWIN WILSON.
1905 FRANK SHAW.
1905 HARRY BARTON.
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1905 FREDERICK C. VERYARD
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1906 FRED COLLINS.
1906 JOHN R. BEGG.
1906 WILLIAM J. BAKHURST.
1906 HARRY ELLISON.
1906 CHARLES FIELD.
1906 WALTER N. H. JOLLY.
1906 ARTHUR BIRCH.
1906 WILLIAM H. WESTHROP.
1906 W. R. MURED DE WHALLEY.
1906 HAROLD A. CUTTING.
1906 ARTHUR WADSWORTH.
1907 JOSEPH M. McCRUDDEN.
1907 CHARLES A. THOROGOOD
1907 BERNARD F. SANDERSON
1907 CHARLES E. PAXMAN.
1907 FRANK A. ROOT.
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1907 THOMAS H. FOZZARD.
1907 LEONARD T. GLOVER.
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1907 JOHN R. BENNETT
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1907 EDGAR B. HIBBERD.
1908 FRANCIS P. COLEMAN
1908 ALFRED F. NORMAN.
1908 HENRY L. WATT.
1908 ARTHUR WADSWORTH
1908 DAVID J. HEADLAND.
1908 HORACE B. NASH.
1908 JOHN R. W. SILLS.
1908 GEORGE E. VASEY.
1908 LEONARD H. MUNDAY.
1908 FRED'K. C. THOROGOOD.
1908 ANN W. SINCLAIR.
1908 ALFRED J. T. FUGGLE.
1908 C. E. M. TRUSSLER.
1908 DAVID R. ORR.
1909 FREDERICK J. ALBAN.
1909 NORMAN D. VINE.
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1909 WILLIAM A. OAKES.
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1910 HUGH D. AITKEN.
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1911 CECIL L. HAYES.
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1912 CECIL A. HEPWORTH.
1912 BERTRAM G. VICKERY.
1912 CHESHYRE MALPAS.
1912 HOWARD C. L. MUSTON.
1912 HAROLD G. ELLIS
1912 AGNES T. LORD.
1912 BERTIE R. DUFTON.

Medallists of the Royal Society of Arts—*Continued.*

1912 REGINALD W. HORSFALL.
1912 CHARLES H. BOURNE.
1912 MALCOLM COLLINSON.
1912 JOHN THOMSON.
1912 C. B. O'HERLIHY.
1912 O. C. STEHELI.
1913 REGINALD HOAL.
1913 JOHN F. BURKE.
1913 ARTHUR JONES.
1913 LEONARD WILSON.
1913 WILLIAM J. CHING.
1913 JOSEPH BEADLE.
1913 GEORGE P. JAMES.
1913 RICHARD J. LAKE.
1913 NORMAN TWEEDALE.
1914 SYDNEY DAWSON.
1914 MAURICE H. MUNRO.
1914 ARTHUR S. MOORE.
1914 C. STANLEY PARNALL.
1914 WILLIAM D. RICHEY.
1914 CHARLES S. GOLDING.
1914 FRED BARTLEY.
1914 ADOLPHUS LAMONT.
1914 EDWARD C. OVERTON.
1914 CHARLES W. WARD.
1914 SYDNEY C. SOUTHGATE.
1915 GEORGE W. BACON.
1915 GORDON STEVENS.
1915 REGINALD G. SMITH.
1915 JOHN H. HODDER.
1915 DAVID R. EDWARD.
1915 FRANK COOMBS.
1915 HELEN ODELL.
1915 JOHN S. HANSON.
1915 ARTHUR R. WATERHOUSE.
1916 FRED WILLIAMS.
1916 ROBERT M. CLARKSON.
1916 PERCY PRICE.
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1916 ROBT. W. ARMSTRONG.
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1916 FREDERICK L. KILBY.
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1917 A. W. FERGUSON.
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1917 GEORGE E. CAME.
1917 FREDERICK ABBOTT.
1917 FREDERICK G. HARRIS.
1918 ANDREW PICKEN.
1918 WALTER E. STEPTO.
1918 JOHN McCOUBREY.
1918 WALTER R. HAMILTON.
1918 THOMAS G. POWELL.
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1918 GEORGE J. GRISTWOOD.
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1918 FREDERICK H. LAWSON.
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1920 BERNARD E. WILES.
1920 JAMES H. GRIFFITHS.
1920 ALBERT J. ELLIS.
1920 HENRY MURRAY.
1920 ELSIE M. JACKSON.
1920 JOSEPH COE.
1920 HARRY ACTON.
1920 ARTHUR S. BROWN.
1920 TREVOR P. JONES.
1920 GARFIELD A. WATKINS.
1920 FREDERICK H. PENFOLD.
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1921 TOM A. HAWKINS.
1921 HENRY P. HARRIS.
1921 WALTER J. GODFREY.
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1921 PERCY L. GRIFFITHS.
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1923 ERIC S. GREEN.
1923 STANLEY A. GUY.
1923 RUTH S. NEVILLE.
1923 STANLEY W. PENWILL.
1923 LEONARD PRESTWOOD.
1923 RICHARD J. GIBBENS.
1924 NORMAN W. E. HAMM.
1924 JOHN L. LITTLE.
1924 JOHN H. CURRY.
1924 WILLIAM B. BULCOCK.
1924 WILFRED SNELGROVE.
1924 CECIL V. A. WEARN.
1924 RUTH McKECHNIE.
1924 BENJAMIN G. MOSS.
1924 FRANK C. BARNETT.
1924 FREDERICK W. H. CLARK.
1924 BENJAMIN ARMITAGE.
1924 JOHN F. EARLS.
1924 DOUGLAS J. KNIGHT.
1924 JOHN RAMSEY.
1924 ALBERT J. SMITH.
1924 CECIL STEDMANS.
1924 JAMES J. SWAN.
1924 FRANCIS O. J. TOZER.
1924 MABEL WALLACE.
1924 HARRY WARD.
1925 ALBERT E. BABBS.

R.S.A.—Accounting and Banking.

1905 EDWIN WILSON, First Prize and Silver Medal.
1906 CHAS F. SYNDERCOMBE, First Prize and Silver Medal.
1906 ERNEST W. WEST, Second Prize and Silver Medal.
1909 FREDERICK J. ALBAN, First Prize and Silver Medal.
1909 NORMAN D. VINE, Second Prize and Silver Medal.
1910 JOHN LANGFIELD, First Prize and Silver Medal.
1910 WILLIAM J. HACKETT, First Prize and Silver Medal.
1911 JOHN CHEAR, Second Prize and Silver Medal.
1912 ARTHUR JONES (Pontypridd), First Prize and Silver Medal.
1912 WILLIAM T. E. ALLEN, Second Prize and Silver Medal.
1913 ARTHUR E. LANGTON, First Prize and Silver Medal.
1914 MAURICE H. MUNRO, Second Prize and Silver Medal.
1915 ROSS HINDLE, First Prize and Silver Medal (Banking).
1915 JOHN J. GLEW, First Prize and Silver Medal (Accounting).
1915 REGINALD THOMAS, Second Prize and Silver Medal (Accounting).
1917 ROBERT M. CLARKSON, First Place and Silver Medal.
1917 WILLIAM K. DICKINS, Second Place and Silver Medal.
1919 LESLIE D. CLARK, First Place and Silver Medal (Accounting).
1919 RICHARD F. SMITH, Second Place and Silver Medal (Accounting)
1920 HOWARD HARRISON, First Place and Silver Medal (Accounting).
1920 WALKLYN HALLAM, Second Place and Silver Medal (Accounting).
1920 JOHN McCOUBREY, Third Place and Silver Medal (Accounting).
1920 HERBERT J. WHITEHEAD, First Place and Silver Medal (Banking).
1921 WILLIAM G. W. PHILLIPS, First Place and Silver Medal (Accounting).
1921 ERNEST R. POSTANCE, Third Place and Silver Medal (Accounting).
1921 HERBERT COWPER, First Place and Silver Medal (Banking).
1922 THOMAS H. SUTTON, Third Place and Silver Medal (Accounting).
1922 THOMAS B. KENYON, First Place and Silver Medal (Banking).
1923 WILLIAM B. BULCOCK, Second Place and Silver Medal (Accounting).
1925 DAVID G. PAGE, Second Place and Silver Medal (Accounting).

LONDON CHAMBER OF COMMERCE.

1903 BERTRAM F. BAYLEY, First Prize and Silver Medal.
1904 ALBERT F. SAUNDERS, First Prize and Silver Medal.
1904 T. J. HEARN, L.C.C. Prize of £1.
1905 JOSEPH M. McCRUDDEN, First Prize and Silver Medal.
1906 H. H. E. BUSH, First Prize and Silver Medal.
1907 ALFRED E. UPSDELL, First Prize and Silver Medal.
1907 G. A. HARVEY, Second Prize and Bronze Medal.
1907 GEO. T. BARTON, C. C. MORTLEMAN, } Joint Winners of the Institute of Chartered Accountants' Prize of £10 10 0.
1907 W. BLAIRMAN, Society of Accountants and Auditors' Prize of £5 5 0.
1907 E. J. HAMMOND, Textile Trades' Prize of £3.
1907 E. A. HARBER, S. F. JARRETT, A. W. MITCHELL, } Joint Winners of the L.C.C. Prize of £3.
1907 C. WESTLEY, Textile Trades' Prize of £1.
1907 F. J. HODGSON, Textile Trades' Prize of £2.
1907 W. C. SNELGROVE, Central Association of Accountants' Prize of £3 3 0
1908 T. G. DIPLOCK, Chartered Accountants' Prize of £10 10 0.
1908 G. L. HOLLOWAY, L.C.C. Bronze Medal.
1908 N. F. SMITH, "Wernher, Beit" Prize of £5.
1908 A. C. AMYS, L.C.C. Gold Medal.
1908 B. H. SIMMONDS, L.C.C. Prize of £3.
1908 C. WESTLEY, Textile Trades' Prize of £3.
1908 C. F. SYNDERCOMBE, L.C.C. Prize of £1.
1908 H. G. S. DANSON, Textile Trades' Prize of £2.
1908 D. THORNTON, Textile Trades' Prize of £1.
1908 S. GODDARD, Textile Trades' Prize of £1.
1908 W. J. BARROW, S. J. TEAGUE, A. GOLDBURG, } Joint Winners of the L.C.C. Prize of £3.
1908 A. GOLDBURG, L.C.C. Prize of £2.
1908 W. S. WARREN, L.C.C. Prize of £1.
1908 G. E. MARLER, Central Association of Accountant's Prize of £3 3 0.
1909 PERCY WESTBROOK, Chartered Accountants' Prize of £10 10 0.
1909 W. ALLEN, Society of Accountants' and Auditors' Prize, £5 5 0.
1909 E. GREY, L.C.C. Gold Medal.
1909 G. LEVY, L.C.C. Bronze Medal.
1909 F. R. ALLNUTT, F. G. BRADSTREET, } Joint Winners of the L.C.C. Prize of £3.

London Chamber of Commerce Medallists—continued.

1909 L. G. ATTRILL, Central Association of Accountants' Prize of £3 3 0
1909 P. HUGHES, L.C.C. Prize of £3.
1909 S. W. DIXON, Textile Trades' Prize of £3.
1909 J. H. G. BOX, Textile Trades' Prize of £2.
1909 F. B. CREED, Textile Trades' Prize of £1.
1910 R. A. PARISH, Institute of Chartered Accountants' Prize of £10 10 0.
1910 W. F. BUTLER, Silver Medal.
1910 ALBERT H. BROMWICH, Second Prize and Bronze Medal.
1910 H. B. WADE, The "Wernher, Beit" Prize of £5.
1910 A. H. ARNOLD, L.C.C. Prize of £3.
1910 S. W. HARRISON, Central Association of Accountants' Prize of £3 3 0
1910 S. INDER, Textile Trades' Prize of £3.
1910 W. G. HOPCRAFT, Textile Trades' Prize of £2.
1910 F. J. HINXMAN, Textile Trades' Prize of £1.
1910 W. J. VINCENT, Textile Trades' Prize of £1.
1910 H. ALDEN, } Joint Winners of L.C.C. Prize of £1.
1910 F. G. HAWLEY, }
1911 ALFRED H. JOHNSON, Textile Trades' Prize of £1.
1911 ROLAND LONGTHORNE, Textile Trades' Prize of £1.
1911 H. F. RAVENSCROFT, Society of Accountants' and Auditors' Prize, £5
1911 REGINALD H. YATES, Textile Trades' Prize of £2.
1911 S. P. BAILEY, Second Prize and Bronze Medal.
1911 H. BICKERTON, Textile Trades' Prize of £3.
1911 V. C. MARTIN, } Joint Winners of the L.C.C. Prize of £3.
1911 ALFRED E. SHEPPARD, }
1911 W. T. RODGERS, } Joint Winners of the L.C.C. Prize of £1.
1911 ALFRED G. SYMES, }
1911 F. A. SHRIMPTON, Central Association of Accountants' Prize of £3 3.
1912 R. C. BROWN, Institute of Chartered Accountants' Prize of £10 10 0.
1912 C. COMBES, } Joint Winners of the L.C.C. Prize of £3.
1912 N. A. MOSTYN, }
1912 R. A. YOUNG, Central Association of Accountants' Prize of £3 3 0.
1912 E. A. SPENCER, L.C.C. Prize of £1.
1912 G. W. ANSELL, } Joint Winners of the Textile Trades' Prize of £2.
1912 J. COHEN, }
1912 L. S. BARTON, L.C.C. Prize of £1.
1912 A. J. BRIDGES, L.C.C. Prize of £1.
1913 ARTHUR E. LANGTON, First Prize and Silver Medal.
1913 ELEANOR DEE, Joint Winner of L.C.C. Prize of £2.
1913 WINIFRED M. PERRIS, Joint Winner of L.C.C. Prize of £2.
1913 H. WAREHAM, Textile Trades' Prize of £1.
1913 V. W. GROSVENOR, L.C.C. Prize of £3.
1913 ARTHUR T. GREEN, Joint Winner of L.C.C. Prize of £1.
1913 G. F. ALLARDYCE, Textile Trades' Prize of £3.
1913 GEORGE R. COLE, Joint Winner of Textile Trades' Prize of £1.
1913 ARTHUR GUNTER, Joint Winner of Textile Trades' Prize of £1.
1913 ALFRED E. VAGO, Joint Winner of Textile Trades' Prize of £1.
1914 A. SMITH, Chartered Accountants' Prize of £10 10 0.
1914 H. S. GOSNEY, First Prize and Silver Medal.
1914 A. R. BURNS, Second Prize and Bronze Medal.
1914 E. V. BRADLEY, } Joint Winners of L.C.C. Prize of £3.
1914 R. A. TAYLOR, }
1914 F. C. FREE, Textile Trades' Prize of £1.
1914 C. T. E. BAKER, L.C.C. Prize of £2.
1914 J. HELLERMAN, } Joint Winners of Textile Trades' Prize of £2.
1914 A. J. B. PUSEY, }
1915 H. F. STAPLES, Chartered Accountants' Prize of £10 10s.
1915 FRANK COOMBS, L.C.C. Prize of £1.
1915 GEORGE W. PUGH, L.C.C. Bronze Medal.
1916 V. H. M. BAYLEY, } Joint Winners of the Institute of Chartered
1916 A. T. TYLER, } Accountants' Prize of £10 10 0.
1916 W. J. H. LOWE, First Prize and Silver Medal.
1916 F. S. F. TAYLOR, L.C.C. Bronze Medal.
1916 J. LEWIS, Second Prize and Bronze Medal.
1916 G. E. MACFARLANE, } Joint Winners of the L.C.C. Prize of £3.
1916 E. WILKINSON, }
1916 LESLIE WADE, Winner of the L.C.C. Prize of £1.
1916 SYBIL E. BARD, } Joint Winners of the L.C.C. Prize of £1.
1916 LILY COCKLE, }

London Chamber of Commerce Medallists—continued.

1917 I. GOLDMAN, Chartered Accountants' Prize of £10 10 0.
1917 A. F. SIMONSON, } Joint Winners of L.C.C. Prize of £2.
1917 L. A. SILK, }
1917 C. HARDCASTLE, Winner of First Prize and Gold Medal.
1917 J. J. HENNESSEY, Winner of Prize of £3.
1918 C. H. RICHARDS, Chartered Accountants' Prize of £10 10 0.
1918 C. H. BROOKS, } Joint Winners of Society of Accountants' and
1918 W. J. HUGHES, } Auditors' Prize of £5 5 0.
1918 R. J. DREDGE, }
1918 J. H. EAST, } Joint Winners of L.C.C. Prize of £3.
1918 A. E. MAY, }
1918 C. J. CURTIS, Winner of L.C.C. Prize of £3.
1918 M. M. PENNINGTON, } Joint Winners of L.C.C. Prize of £1.
1918 A. PICKEN, }
1918 T. B. BARNES, Winner of L.C.C. Prize of £1.
1919 R. FAIRMAN, Chartered Accountants' Prize of £10 10 0.
1919 G. EVANS, L.C.C. Silver Medal.
1919 R. F. SMITH, L.C.C. Bronze Medal.
1919 J. CONDRE, "Wernher, Beit" Prize of £5.
1919 T. GLENNIE, "Rothschild" Prize of £5.
1919 W. P. De la HAYE, } Joint Winners of L.C.C. Prize of £3.
1919 W. L. PRIZE, }
1919 D. R. RIACH, } Joint Winners of L.C.C. Prize of £1.
1919 R. SEVERS, }
1919 E. D. LUXFORD, Winner of L.C.C. Prize of £2.
1919 P. B. HUBBARD, } Joint Winners of L.C.C. Prize of £1.
1919 M. NIXEY, }
1920 A. L. ROTHON, Chartered Accountants' Prize of £10 10 0.
1920 E. E. SEARLE, } Joint Winners of "Rothschild" Prize of £5.
1920 F. H. PATTERSON, }
1920 H. FARNDON, L.C.C. Prize of £3, Senior Book-keeping.
1920 E. M. GREEN, } Joint Winners of L.C.C. Prize of £2.
1920 H. L. HODGES, }
1920 A. K. LOCKYER, L.C.C. Prize of £1.
1920 A. R. BAKER, L.C.C. Prize of £1.
1920 I. HARTLAND, L.C.C. Prize of £1.
1920 G. W. PEARS, L.C.C. Prize of £1.
1920 P. M. PRICE, L.C.C. Prize of £1.
1921 A. E. CROSBY, } Joint Winners of Chartered Accountants'
1921 B. M. FRANCIS, } Prize of £10 10 0.
1921 A. F. BURTT, L.C.C. Gold Medal.
1921 C. GREENHOUGH, L.C.C. Silver Medal.
1921 F. HARGREAVES, L.C.C. Bronze Medal.
1921 H. P. HARRIS, } Joint Winners of L.C.C. Prize of £3.
1921 C. W. C. BRETT, }
1921 A. J. WAREHAM, }
1921 B. S. HENSON, } Joint Winners of L.C.C. Prize of £2.
1921 T. BOWERS, }
1921 R. A. EDWARDS, L.C.C. Prize of £1.
1922 C. G. HILL, Chartered Accountants' Prize of £10 10 0.
1922 M. PONCIA, L.C.C. Prize of £3.
1922 W. S. CHAN, L.C.C. Prize of £2.
1922 S. J. CUSHWAY, } Joint Winners of L.C.C. Prize of £1.
1922 W. GROOMBRIDGE, }
1923 LESLIE R. BELL, Chartered Accountants' Prize of £10 10 0.
1923 LAURANCE J. SILLITO, Incorporated Accountants Prize of £5 5 0.
1923 CYRIL S. W. HARRISS, L.C.C. Prize of £3.
1923 LESLIE J. RICE, L.C.C. Prize of £2.
1923 ALBERT BLACKBURN, L.C.C. Prize of £1.
1923 FRED HAWLEY, L.C.C. Prize of £1.
1924 JOHN H. C. EDWARDS, Chartered Accountants' Prize of £10 10 0.
1924 JOE ENTWISTLE, Chartered Accountants' Prize of £10 10 0.
1924 LESLIE W. INMAN, Incorporated Accountants' Prize of £5 5 0.
1924 LESLIE H. HEMSLEY, L.C.C. Prize of £3.
1924 ALFRED C. G. WARLAND, L.C.C. Prize of £3.
1924 PHILIP LAVINE, L.C.C. Prize of £1.
1924 DORIS E. STILES, L.C.C. Prize of £1.
1924 ALFRED W. HOWE, L.C.C. Prize of £1.

NATIONAL UNION OF TEACHERS.

1904 ALBERT F. SAUNDERS, First Prize and Silver Medal.
1905 RICHARD DEACONS, First Prize and Silver Medal.
1905 JOSEPH J. TODD, Second Prize and Bronze Medal.
1906 JOHN F. G. BAGSHAW, First Prize and Silver Medal.
1906 HUBERT BYERS, Second Prize and Bronze Medal.
1906 THOMAS HARRISON, Third Place and Silver Medal
1906 J. A. MODEL, Fourth Place and Bronze Medal.
1906 P. MURRAY, Fifth Place and Bronze Medal.
1906 F. A. ROOT, Sixth Place and Bronze Medal.
1907 THOMAS J. CUMMINGS, First Prize and Silver Medal.
1907 EDGAR C. HALSEY, Second Prize and Bronze Medal.
1907 FRED G. CARTER, Third Place and Bronze Medal.
1907 ALFRED E. UPSDELL, Fourth Place and Bronze Medal.
1907 JOHN HORN, Fifth Place and Bronze Medal.
1907 JOHN GLASKYN-CLAY, Sixth Place and Bronze Medal.
1908 JOHN R. BENNETT, Second Prize and Bronze Medal.
1909 EDWARD KEEFE, Second Prize and Bronze Medal.
1910 NORMAN D. VINE, First Prize and Silver Medal.
1911 WALTER P. AMPHLETT, First Prize and Silver Medal.
1911 EDWARD J. CLAY, Second Place and Bronze Medal.
1912 DANIEL M. PORTEOUS, First Prize and Silver Medal.
1913 HAROLD W. NAISH, Second Place and Bronze Medal.
1914 ARTHUR S. MOORE, First Prize and Silver Medal.
1914 WILLIAM J. BUSH, Second Prize and Bronze Medal.
1915 WINIFRED HOARE, First Prize and Silver Medal.
1915 GEORGE W. BACON, Second Prize and Bronze Medal.
1916 GEORGE W. BACON, First Prize and Silver Medal.
1916 VICTOR H. M. BAYLEY, Second Prize and Silver Medal.
1916 ROBERT M. CLARKSON, First Prize and Bronze Medal.
1917 G. E. MacFARLANE, Second Place and Bronze Medal.
1920 ISIDORE LEVY, First Prize and Silver Medal.
1920 CYRIL G. WIGHTMAN, Second Place and Bronze Medal.
1924 ALFRED H. PARRY, First Prize and Silver Medal.
1924 DONALD FOX, Second Prize and Bronze Medal.

SOCIETY OF INCORPORATED ACCOUNTANTS.

1907 HAROLD KAY, First Prize and Second Place, Intermediate, Dec.
1908 ARTHUR CROSLAND, First Prize and Silver Medal, Final, June.
1908 FREDERICK J. ALBAN, First Place, Intermediate, Dec.
1908 RICHARD G. PYE, Third Place, Final, Dec.
1909 FREDERICK J. ALBAN, First Place and Gold Medal, Final, Dec.
1909 ROBERT P. TIMPANY, Second Place, Final, Dec.
1909 BERTRAM F. BAYLEY, Fourth Place, Intermediate, Dec.
1909 GWILYM E. SAUNDERS, Fifth Place, Intermediate, Dec.
1910 JOHN W. TODD, Ninth Place, Final, May.
1910 ERNEST NICHOL, Fifth Place, Intermediate, May.
1910 GWILYM E. SAUNDERS, First Place and Gold Medal, Final, Dec.
1910 BERTRAM F. BAYLEY, Second Place and Silver Medal, Final, Dec.
1910 HAROLD KAY, Fourth Place, Final, Dec.
1911 CHESHYRE MALPAS, Fourth Place, Intermediate, May.
1911 ROBERT P. WHIPP, Ninth Place, Intermediate, May.
1912 FRANK B. KING, Fourth Place, Intermediate, Nov.
1913 JOSEPH E. STONE, Sixth Place, Intermediate, May.
1913 CHESHYRE MALPAS, First Place and Gold Medal, Final, Nov.
1913 ROBERT P. WHIPP, Fifth Place, Final, Nov.
1913 ALFRED E. SONES, First Place, Intermediate, Nov.
1913 PERCIVAL H. STAFFORD, Second Place, Intermediate, Nov.
1913 LEONARD J. RAGGETT, Fifth Place, Intermediate, Nov.
1913 EDWARD M. SHACKLETON, Eighth Place, Intermediate, Nov.
1914 THOMAS HAWORTH, First Place, Intermediate, May.
1914 WILLIAM MARSHALL, Second Place, Intermediate, May.
1914 THOMAS E. FLOOK, First Prize and Third Place, Intermediate, May.
1914 JOHN R. JOHNSON, Fifth Place, Intermediate, May.
1914 WILLIAM O. J. URRY, Eighth Place, Intermediate, May.
1914 HAROLD GIBSON, Eleventh Place, Intermediate, May.
1914 GEORGE R. RONSON, Twelfth Place, Intermediate, May.
1914 THOMAS A. WRIGHT, First Prize and Second Place, Final, Nov.
1914 STANLEY SCOTTER, Second Prize and Third Place, Final, Nov.

Society of Incorporated Accountants—continued.

1914 ERNEST C. HANCOCK, Fifth Place, Final, Nov.
1914 OLIVER CROMWELL. Eighth Place, Final, Nov.
1915 WALTER H. MARSDEN, First Prize, Intermediate, June
1915 GEORGE W. BACON, Second Place, Intermediate, June.
1915 FRANK A. WALTON, Second Prize, Final, June.
1915 JOSEPH E. STONE, Third Place, Final, June.
1915 REGINALD T. HOLDER, Fourth Place, Final, June.
1915 LEONARD H. GRAVES, Seventh Place, Final, June.
1915 A. LEWIS ROSS, Eighth Place, Final, June.
1915 PERCY ALEXANDER, Ninth Place, Final, June.
1915 THOMAS HAWORTH, First Place and Gold Medal, Final, Nov
1915 PATRICK TAGGART, Second Place, Final, Nov.
1915 ALFRED F. NORMAN, Third Place, Final, Nov.
1915 SUBODH K. DAY, Fourth Place, Final, Nov.
1915 LEONARD J. RAGGETT, Fifth Place, Final, Nov.
1915 EDWIN C. RIDING, Sixth Place, Final, Nov.
1915 WILLIAM L. KARAMELLI, Eighth Place, Final, Nov.
1915 JOHN LINAHAN, First Prize, Intermediate, Nov.
1915 WILSON MILBOURNE, Second Place, Intermediate, Nov.
1915 ARTHUR E. MIDDLETON, Third Place, Intermediate, Nov.
1915 CYRIL H. GOLDTHORPE, Fourth Place, Intermediate, Nov.
1916 CHARLES W. BRADDY, First Prize, Final, May.
1916 CLARENCE SNOWDEN, Second Place, Final, May.
1916 JOHN R. JOHNSON, Third Place, Final, May.
1916 FREDERICK A. CAWSON, Second Place, Intermediate, May.
1916 WILLIAM J. CHING, Third Place, Intermediate, May.
1916 ARTHUR E. MIDDLETON, First Prize, Final, Nov.
1916 JOSEPH A. SPEED, Third Place, Final, Nov.
1916 JAMES C. PAGE, First Place, Intermediate, Nov.
1916 ARTHUR J. BENJAFIELD, Third Place, Intermediate, Nov.
1916 ARTHUR HALLETT, Fourth Place, Intermediate, Nov.
1916 ROSS HINDLE, Fifth Place, Intermediate, Nov.
1917 M. L. TARMASTER, First Prize, Final, May.
1917 ALFRED B. DAWSON, Second Place, Final, May.
1917 JOHN LINAHAN, First Prize, Final, Nov.
1917 WADE HUSTWICK, Second Place, Final, Nov.
1917 THOMAS HANNIBAL, Third Place, Final, Nov.
1917 HAROLD N. WRIGHT, First Prize, Intermediate, Nov.
1918 JOHN DURHAM, Third Place, Intermediate, May.
1918 ARTHUR J. BENJAFIELD, First Prize, Final, May.
1918 WILLIAM J. CHING, First Prize, Final, Nov.
1918 ROSS HINDLE, Second Place, Final, Nov.
1918 HAROLD N. WRIGHT, Third Place, Final, Nov.
1919 FRANK BARRETT, First Prize, Final, May.
1919 THOMAS BELL, First Place, Intermediate, May.
1919 HENRY E. COLESWORTHY, Second Place, Intermediate, May
1919 ALFRED E. SONES, Eighth Place, Final, Nov.
1919 EDWARD CORRIN, First Prize, Intermediate, Nov.
1919 WILLIAM SCOTT, Second Prize, Intermediate, Nov.
1919 WILLIAM A. JOHNSON, Third Place, Intermediate, Nov.
1920 HENRY E. COLESWORTHY, Gold Medal, Final, June.
1920 HENRY V. VALE, Silver Medal, Final, June.
1920 EDWARD CORRIN, Second Prize, Final, Nov.
1920 PERCIVAL H. STAFFORD, Fifth Place, Final, Nov.
1920 ALFRED PALMER, First Prize, Intermediate, Nov.
1920 JOHN H. WORSLEY, Second Place, Intermediate, Nov.

CHARTERED INSTITUTE OF SECRETARIES.

1909 F. J. ALBAN, First Place, Intermediate, June.
1911 A. A. YEOMANSON, First Place, Intermediate, Dec.
1912 JOHN CHEAR, First Place, Intermediate, June.
1912 HUBERT GRIME, First Place, Final, Dec.
1912 JAMES SMITH, First Place, Intermediate, Dec.
1912 F. F. SHARLES, Third Place, Intermediate, Dec.
1913 R. G. WILES, First Place, Intermediate, June.
1913 H. OATES, Third Place, Intermediate, Dec.
1914 JOHN CHEAR, First Place, Final, June.
1914 J. A. HARTLEY, First Place, Intermediate, June.

1914 J. J. COON, Second Place, Intermediate, June.
1914 A. STABELL, Third Place, Intermediate, June.
1914 S. G. WILLIS, Fourth Place, Intermediate, June.
1914 F. C. HOCKRIDGE, Fifth Place, Intermediate, June.
1915 F. C. THOROGOOD, First Place, Dec.

INCORPORATED SECRETARIES' ASSOCIATION.

1913 HERBERT H. NEGUS, First Place, Intermediate, Dec.
1913 THOMAS WALKER, Second Place.
1914 HERBERT H. NEGUS, First Place, Final, June.
1914 J. BASS, First Place, Intermediate, June.
1914 A. E. MOUNCHER, Second Place, Intermediate, June.
1914 A. B. REAY, Third Place, Intermediate, June.
1914 ARTHUR JONES (Swansea), Second Place, Intermediate, Dec.
1915 H. DACRE, First Place, Intermediate, June.
1915 T. TYLER, Second Place, Intermediate, June.
1915 W. COLDWELL, Third Place, Intermediate, June.
1915 A. E. MOUNCHER, First Place, Final, June.
1915 R. J. COLE, Third Place, Final, June.
1915 A. G. BULL, First Place, Final, Dec.
1916 H. DACRE, First Place, Final, Dec.
1918 S. G. RHODES, First Place, Intermediate, Dec.
1920 E. TRANFIELD, Second Place, Intermediate, Dec.
1922 W. G. PHILLIPS, Third Place, Final, June.

UNION of EDUCATIONAL INSTITUTIONS.

1916 S. F. FIELD, First Prize, Elementary.
1916 EDGAR G. ABEL, Second Prize, Elementary.

Miscellaneous Medallists and Prize Winners.

1905 REGINALD E. MUTTON, First Place, College of Preceptors.
1906 GEORGE MORTON, First Prize and Silver Medal Yorkshire Union of I.
1906 THOMAS HAWORTH, Second Place, L. & C. Union.
1906 FREDERICK GRIFFITH, First Place, L. & C. Union.
1907 A. E. JONES, Silver Medal of the Liverpool Incorporated Accountants.
1908 P. KELLY, First in the U.K. at the Taxes Exam. of the Civil Service.
1908 N. S. FISHER, First Prize and Silver Medal for Commercial Correspondence, awarded by the National Union of Teachers.
1908 N. S. FISHER, Second Prize and Bronze Medal for Theory and Practice of Commerce, awarded by the National Union of Teachers.
1908 C. H. MERREY, First Prize, Advanced Book-keeping of the M.C.U.
1908 MARGARITE BENNELL, First Place, College of Preceptors.
1908 G. G. DUDDLES, First Place at the Examination of Grocers and Winner of Silver Cup and Purse of £20.
1909 ARCHILOUS TEMLETT, Second Place, College of Preceptors.
1909 FREDERICK J. ALBAN, First Place, Final Examination of Institute of Municipal Treasurers and Accountants.
1909 W. A. OAKES, First Prize at Inter. Exam. of Chartered Accountants.
1909 WILLIAM CUNLIFFE, First Place Institute of Bankers.
1907-8-9 HUBERT GRIME, Quadruple Prizeman, Lancashire and C. Union.
1910 G. G. DUDDLES, First Place at the Exam. of the Institute of Grocers, Winner of " Cadbury " Prize of £100 and the " Williams " Prize.
1911 J. H. ROGERS, Silver Medal for Business Methods, L. & C. Union.
1911 E. ASHLEY OAKES, First Prize, Final, Chartered Accountants.
1912 JOSEPH E. STONE, First Place at the Exam. of the National Association of Local Government Officers.
1913 ARTHUR JONES (Swansea), First Place at the Examination of Groc.
1913 W. J. HODGKISS, First Place, Lancashire and Cheshire Union.
1913 P. S. RANDALL, First Place, Union of Educational Institutions.
1913 H. EVERETT, the only Candidate who took full marks out of 885 for Book-keeping, Second Division Clerks, Civil Service, October.
1913 HAROLD GIBSON, First Place L. and C. Union.
1913 WILLIAM O. J. URRY, First Place, Central Ass. of Accountants.
1914 A. S. PERUMAL, First Prize of $100, Government Examination of the Federated Malay States.
1914 A. G. SYMES, First Prize and Silver Medal, Auctioneers' Institute.

Miscellaneous Medallists and Prize Winners—continued.

1914 RICHARD G. PYE, Second Place, Final Exam. of Institute of Municipal Treasurers and Accountants.
1914 WILFRED MORRIS, Bronze Medal, Business Training, R.S.A.
1915 ARTHUR E. LANGTON, First Prize of £100 for Commercial Knowledge
1915 A. G. SYMES, First Prize of £15 and Silver Medal, Surveyors' Institution.
1915 ARTHUR EVANS, First Place and Bronze Medal, R.S.A. Business Methods.
1915 ARTHUR JONES (Swansea), Silver Medal Standard, R.S.A., Theory and Practice of Commerce.
1915 GEORGE E. MacFARLANE, First Prize, London Ass. of Accts.
1915 DAVID R. EDWARD, Glasgow Chamber of Com. Cash Prize of £5.
1915 R. JONES, First Place, London Association of Accountants.
1916 JOHN WHOOLEY, First Prize, Department of Agriculture, Ireland.
1916 R. JAYARAM, Gold Medal of L.C.C. in Methods and Machinery of Business.
1917 G. E. MacFARLANE, First Prize and Silver Medal, N.U.T. Theory and Practice of Commerce.
1917 JOSEPH LYNCH, Second Prize and Bronze Medal, N.U.T. Theory and Practice of Commerce.
1920 E. A. THORPE, Honours and Prize, Corporation of Accountants.
1920 W. F. GOWARD, Silver Medal, L.C.C. Business Methods.
1921 LIM K. LIANG, Second Place, Straits S. Gov. Book-keeping
1921 B. BORDOLI, Second Prize, Inter., Institute of Municipal Treasurers.
1922 B. BORDOLI, First Prize, Final, Institute of Municipal Treasurers.
1922 W. H. HOPCRAFT, Third Place, Inter, L.A.A.
1922 GEORGE BATTISON, First Place, Institute of Book-keepers.
1922 ALBERT STOTT, First Place and Silver Medal, Final, Central Association of Accountants.
1924 JOHN H. C. EDWARDS, First Cash Prize, City Correspondence College.
1925 LEONARD BURNELL, Second Place, Institute of Municipal Treasurers.

Since the **List** of **Medallists** on the eight preceding pages was compiled the

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Society of Incorporated Accountants and Auditors	**F.S.A.A.**
London Association of Accountants	**F.L.A.A.**
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Accountant & Auditor,
HUDDERSFIELD

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You will be glad to learn that your book was in use at the East Ham Technical College, attended by me during the past session.

I remain,

Yours faithfully,

R. A. PARISH.

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